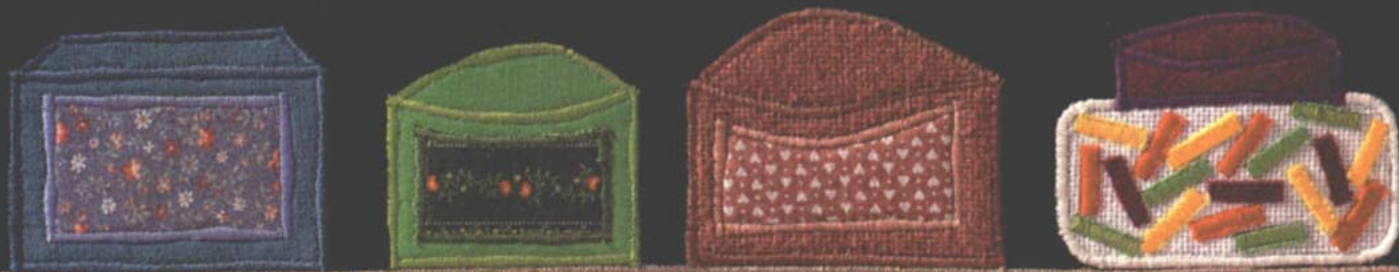


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BY JERRY PAVEY

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Did the West Turn Its Back on the Sudan?



■ As a southern Sudanese himself and a nationalist, Francis Deng ("The Sudan," winter issue) writes from a depth of feeling fueled by frustration that the international community has turned its back on the Sudan.

There has, indeed, been a shocking absence of any formal United Nations Security Council action on the Sudan. The only UN action has come through informal consultation among its members and through the work of the Human Rights Commission.

But the initial blame for this failure must be charged to Africa. The continent's yawning silence on the need for the Security Council to discharge its obligations to the Sudan is inexplicable. Even the actions the UN has taken have had their greatest impetus from outside Africa, notably the West.

And outside the Security Council, the world has not turned its back on the Sudan. Operation Lifeline Sudan has tried to alleviate the suffering of Sudanese civilians and has been repaid by both sides in the war taking the lives of its international civil servants. The

World Food Program and the International Committee of the Red Cross have operated on an "on-and-off" mode under extreme danger. Sudan is in fact the one place in Africa where outsiders have been so readily prepared to go the limits in acts of heroic efforts to deliver humanitarian assistance to the victims of war and famine.

The trouble with the Sudan is its extreme complexity, which, together with the depth of opposing collective feelings and values, has mocked all efforts so far to find a political solution to the conflict. Deng's ultimately ambiguous position regarding a political solution, especially whether the south should separate from the rest of Sudan, just goes to show how difficult the problem is, even at the level of intellectual analysis. Deng's thinly disguised invitation for Western military intervention to rout out what he asserts to be Islamic fundamentalism and terrorism backed by Iran and Libya is obviously born of the sense that, in the absence of UN interest in the case, this may be the only way out. The West clearly has no will to act in that manner

in the Sudan. Even if the political will existed, such a venture would not achieve much if an ultimate political solution cannot be achieved.

*Dent Ocaya-Lakidi,
International Peace Academy*

Failing the Sudan's People

■ Much of the despair, poverty, and sheer horror of civil war in the Sudan (Francis Deng, "The Sudan," winter issue) over the past decade in particular, can be attributed to the parochial outlook of the principal leaders, both north and south.

None rose to the challenge of improving the lives and prospects of Sudan's diverse population or found ways to overcome, rather than exploit for personal political gain, the social and religious factionalism that has plagued the country. Leaders in the north, despite their training and experience, did not nurture the incipient nation after independence and bring it to maturity as a whole greater than the sum of its parts. Southerners, having seen little more than a decade without war, have had far less experience of self-government than northern Sudanese. But even in the present conflict, southern leaders are proving equally short-sighted, failing to surmount personal differences and to maintain unity among themselves.

The resulting physical devastation of the south and the breakdown of social order are making Sudan ungovernable. Partition appears the only remaining solution and is called for by many Sudanese southerners and by a growing number in the north.

The splendid people of the Sudan, whose civility, warmth, and steadfastness have engaged the affection and support of all those who know them, deserved more from their leaders.

*C. William Kontos, U.S.
Ambassador to Sudan, 1980-83*

Courts and Congress

■ The last paragraph of R. Shep Melnick's essay on the politics of statutory construction ("Interpreting Entitlements," winter issue) raises the central issue for one concerned with the proper roles of Congress, judiciary, and agencies. How agencies interpret statutes is a matter of continuing interaction with congressional officials and only occasional involvement of the courts. This legislative oversight is worthwhile, yet it is also subject to abuses like those Justice Scalia attributes to the process of statute formation—members of Congress or their staffs may be able to turn the agency from statutory commitments by political force, to achieve ends they could not secure through legislation. Ideally the possibility of judicial review will give administrators spine to resist these pressures, and the fact of judicial review may correct abuses that nonetheless succeed. But this won't happen if the courts signal administrators that the political history of the legislation itself should be ignored, and if review enforces the judges' "independent" reading of the words of the text rather than what a fairminded observer might conclude from the political history that the legislature had done.

"Independent" deserves quotation marks because of Melnick's well-grounded suspicion that a good deal of politics and preference, not merely disciplined and objective analysis, underlies those judicial readings. The point was driven home by a recent Supreme Court decision involving an obscure point of federal criminal law. Five Justices read the statute without reference to legislative history, in the Court's recent fashion; they found that the prosecutor had not established a necessary element of his case against some-

one who it seemed, on the given facts, ought to have been guilty of something. Four dissenting Justices, evidently repelled by the defendant's conduct, found in the legislative history indications of a meaning that, if they had prevailed, would have permitted the conviction to stand. Strikingly, two, perhaps three of the four have been vigorous critics of the use of legislative history in interpreting administrative statutes. In criminal law, as the majority observed, longstanding principle leads us to interpret against the state when law is unclear. No much principle exists in the administrative context; there, legislative history serves as a real constraint on both the administrator and the overseeing member of Congress or her staff who may wish to push the agency beyond statutory accommodations.

When courts pay attention to legislative reports that accompany enacted legislation, they are rewarding efforts made during the course of the constitutional process of legislation; they are also getting an education in the political history of laws. Reading a statute "cold" has constantly brought the courts into warfare with Congress. When courts refuse to pay attention to these materials, in the administrative context, they encourage Congress to pour that much more effort into oversight—diverting resources from the legislative process—and they eliminate an important source of discipline for both the agencies and members of Congress and their staffs. Courts also make it more likely their own results will be arbitrary in relation to the understandings of people with daily responsibility for the laws' administration and the communities with which they more intensely deal. It is hard to see these results as improvement for the rule of law.

*Peter L. Strauss,
Harvard Law School*

Single-Payer Health Insurance

■ Joshua Wiener ("Getting It Right on Health Care Reform," winter issue) dismisses single-payer health insurance much too quickly.

The fastest-growing sector of U.S. health care today is those who handle insurance claims and billing. In the United States, health insurance companies' overhead is about 12 percent. In Manitoba, overhead of the provincial health system is 1.1 percent. In the United States, overhead in a physician's office is about 47 percent. In Canada, it is about 35 percent. The difference is the cost to the physician of dealing with health insurance companies. There is a similar added cost to hospitals. If there were a single insurer in the United States, as there is in Canada, we would save immediately between \$200 billion and \$300 billion the first year, and at least that much every year thereafter, in reduced overhead for the insurer and in reduced operating costs for physicians and hospitals.

Wiener says that neither Congress nor the American people will put up with a single-payer system because, assuming the government is the single payer, taxes will go up. Nonsense. We are already paying more than such a system will cost. Where is the money coming from? Well, a lot of it comes from income tax right now. Included in the estimate of the nearly \$1 trillion we are said to be spending on health care are many billions for federally financed activities such as research. We are already contributing about \$100 billion a year to Medicare and a similar sum to Medicaid. Add to this the money exempt from income tax, employers' contributions to employees' health insurance, which Wiener estimates at \$65 billion, probably an underestimate since total U.S. health insurance premiums are about \$600 billion. We are already spending more than 20

percent of the health care dollars out of pocket, and many of us, particularly retirees, are spending close to 50 percent. Polls have shown that the American people are willing to pay an income tax for universal and complete health insurance; they will get better care for less than it is costing now.

If the projection of \$1 trillion for U.S. health care for 1994 is true, it will cost each of us \$4,000 this year. In 1992 Manitoba and the Canadian federal government spent about \$1,400 per person for better health care than we supply. We won't reduce our health care costs by 70 percent when we go to a single-payer system because we have a large backlog of need to make up for, but we will reduce our costs by about 30 percent, down to about \$2,800 per person. Of this sum about \$2,400 would be for direct patient care costs, not counting research and capital investment. When we discount what we are already paying for Medicare and Medicaid, the cost drops to \$1,600 per person. This sum could be met by a modest increase in income tax, or by a combination of income tax, payroll tax, and value-added tax. And it would eliminate, as it has in Canada, the anxiety and bewilderment of patients and the nagging hassle of physicians by insurers.

*Kenneth Zierler, M.D.,
The Johns Hopkins University
School of Medicine*

CFE and Military Trade

■ Warwick McKibbin ("A New Military Equilibrium," fall issue) introduces certain inaccuracies regarding the Conventional Armed Forces in Europe Treaty. CFE was signed, not by all CSCE participants, but by the then 22 members of NATO and the Warsaw Pact. The notion that the treaty has no bearing on weapons exports to nonsignatories is misleading. Is it appropriate to criticize, albeit implicitly, a structural

arms control agreement for failing to be a military trade agreement? In any case CFE is quite clear on the export issue: while it might have been possible for a signatory to reduce its liability by exporting weapons, this would have been contrary to the spirit of the negotiations and would have had to have taken place before entry into force of the treaty in 1992, since export is not an approved means of reduction per se. The "cascade" of conventional weapons between signatories (NATO's "Equipment Transfer and Equipment Rationalisation Programme") does raise certain concerns, but is fully consistent with the treaty since CFE is a bloc-to-bloc reduction agreement, and the reduction liability is exported with the "cascaded" weapon.

McKibbin is right to expose the difficulties of "conditional aid" arguments. Using foreign aid to buy weapons is not acceptable, but linking aid to the good behavior of the world's poorest and most insecure states will always be problematic and hard to accept outside the West. Is McKibbin's plan for privatizing global peace really the answer? The "armaments tax" idea has been around for some time, and McKibbin's plan goes a long way to giving it some substance. But where the UN is concerned, McKibbin's plan smacks of wish fulfillment. Surely the recent record of the UN is such that we should moderate our expectations of it: would a more wealthy Security Council deal with conflicts any more convincingly? Do we need yet another UN agency? McKibbin's plan may, in the end, be of greatest benefit to illegal arms traders as tax evasion becomes common.

*Paul Cornish, Royal Institute
of International Affairs, London*

*The Review welcomes comments
from its readers. Letters will be
edited to conform to style and space.*

Relating to Russia in a New Era

BY JOHN D. STEINBRUNER

The security establishments of the United States and Russia are encountering a predictable difficulty in the aftermath of the Cold War. Circumstances now require both to redirect their internal policies and engage in extensive collaboration. But neither has fully absorbed these imperatives or mastered the residual emotions of their long rivalry. The rhetoric of confrontation has largely been abandoned, but at the level of military operations confrontation nonetheless continues—in mitigated, but not fundamentally altered form. Political relations are conducted without a strategic conception of mutual interest and are therefore hostage to the inevitable turbulence of the Russian reform process. Spy episodes and nationalist rhetoric readily evoke belligerent attitudes on both sides.

If prevailing political sentiment were all that mattered, the natural outcome would be a renewed adversarial relationship, tailored this time to nationalist ideology. Strategic interest, however, involves more than current majority opinion. There are reasons for cooperative engagement between Russia and the United States that may well be powerful enough to override their instinctive rivalry.

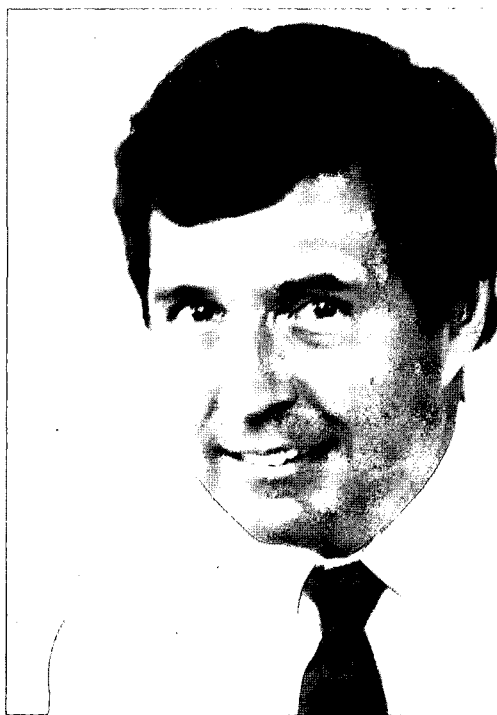
Such reasons emerge from a general transformation of international relationships driven by at least two historically unprecedented circumstances—a revolution in information technology and an impending surge of the world's population. The interaction of these two developments poses an entirely new set of security problems.

Since 1970 the cost of processing and storing a unit of digital information has dropped by about 35 percent a year, roughly a factor of a thousand over the entire period. Over the next decade, technology is

expected to reduce the cost of transmitting a digital unit over long distances by a factor of a million. Those efficiency gains, which have not yet reached a natural limit, are the largest that any economic commodity has ever undergone in a comparable time span. The consequences will be immense, even though it is difficult now to see all that they will entail.

Already we can observe that the new information flows are generating a spontaneous globalization of economic activity and an inexorable diffusion of technology. The underlying technology has also made possible a new and highly intrusive form of military capability—the ability to undertake extremely precise attack at very long range with virtually no warning. In the globalizing economy, access to the technologies that create this capability, as well as to the various technologies of mass destruction, will unavoidably become widespread. That does not mean that weapons proliferation is inevitable, but it does mean that the traditional method of trying to preserve exclusive national control will not prevent it. Restraint might be induced, but technical access cannot be denied.

Moreover, as the information revolution plays out its consequences, the world population is expected to double over the next five decades or so. Ninety-five percent of the increase will be in what are now the world's poorest communities. If recent trends in income distribution were to be preserved as the population grows, the resulting world would be inhabited by 10 billion people, 6 billion of whom would live under conditions of endemic austerity and 2 billion more of whom would experience a continuous decline of their standard of living. It is highly doubtful that a globalized economy could operate in



such a world without generating massive violence that the prosperous 2 billion could not reasonably expect to control by coercive means. Thus the state of economic equity seems destined to become a dominant international security concern.

As these underlying conditions unfold, Russia and the United States will encounter a set of security problems dramatically different from those of the Cold War period. Russia in particular will find the policies it has inherited to be unsustainable. Its defense budget is now less than a third what would be required to finance the military establishment it is trying to preserve, and it could not meet these financial requirements without severely jeopardizing the vital matter of economic performance. This means that Russia cannot conduct a psychologically robust defense of its large, exposed territory solely on the basis of its own assets, and the attempt to do so would risk internal disintegration.

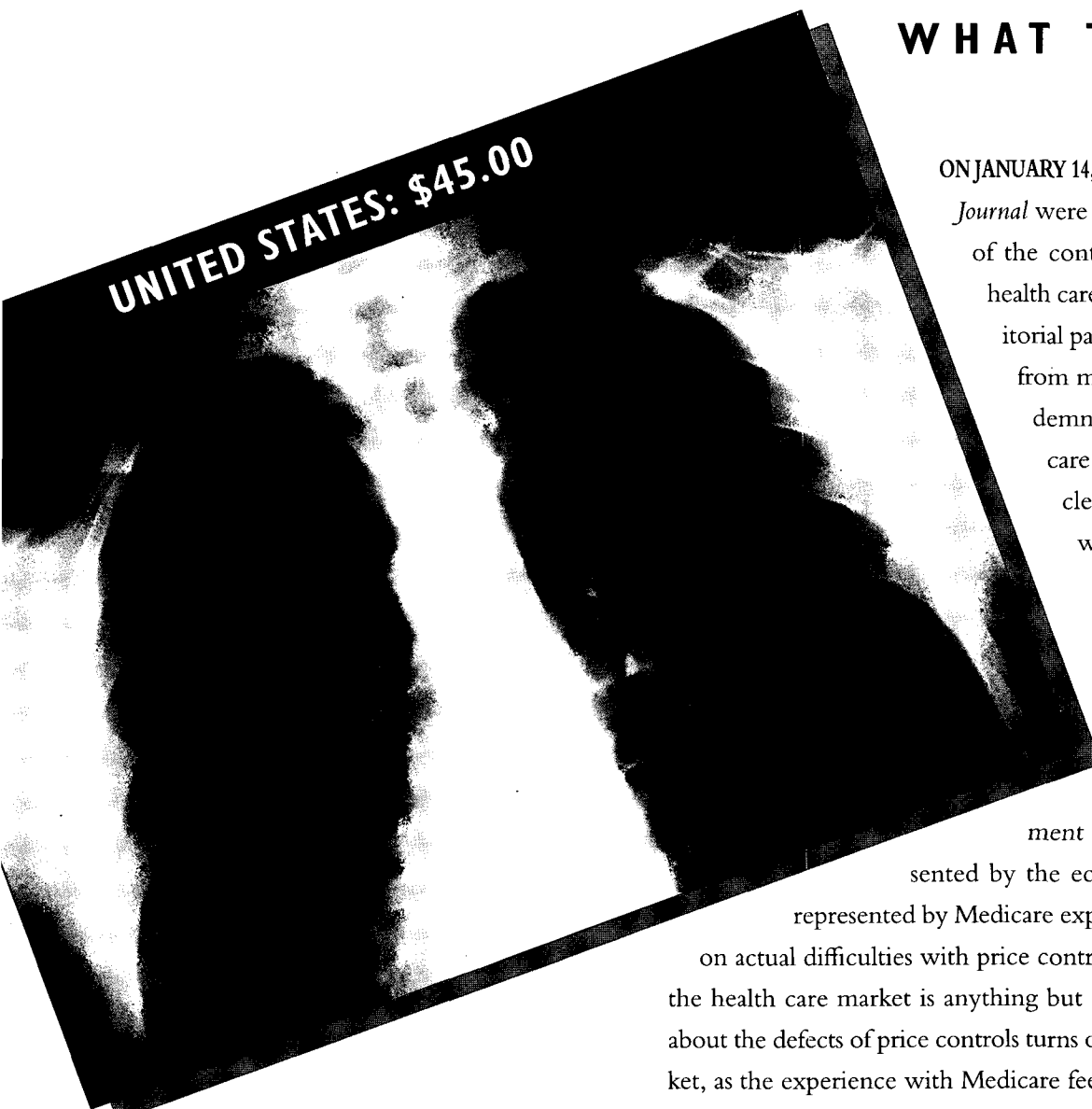
Today, internal disintegration is a far more serious threat than external aggression, and controlling proliferation is a far more important objective than preparing for immediate military engagements. Russia will need systematic international collaboration to manage its own security problems, and the United States will have to engage extensively in that collaboration to address these new concerns.

The details are demanding but tractable once the basic principle is accepted. The sooner that happens, the better off everyone will be. ■

John D. Steinbruner is director of the Brookings Foreign Policy Studies program. He is co-author, with Ashton B. Carter and William J. Perry, of A New Concept of Cooperative Security (Brookings, 1992).

PAYING THE

WHAT THE UNITED



ON JANUARY 14, READERS OF THE *WALL STREET Journal* were treated to a textbook example of the controversy over how to control health care costs. On the newspaper's editorial page a letter to President Clinton from more than 500 economists condemned "price controls" for health care. And on page A2 a news article reported that Medicare costs were below previous estimates because new fee limits on physician services had worked even better than expected.

Much of the national debate about controlling costs reduces to an argument between the ideology represented by the economists' letter and the facts represented by Medicare experience. The ideology is based on actual difficulties with price controls—in ordinary markets. But the health care market is anything but ordinary. All that we "know" about the defects of price controls turns out to be irrelevant to that market, as the experience with Medicare fee limits demonstrates.

And Medicare is not the only case. As I found in studying health care in the United States and six other countries—Australia, Canada, France, Germany, Japan, and the United Kingdom—fee limits work abroad too. Of those six other countries, only the United Kingdom does not use fee schedules for physician services—and the National Health Service hardly qualifies as "market allocation" of services. In the five fee-for-services countries, fees are substantially lower than those in the United States (a chest x-ray with two views, for instance, costs \$45 in the United States, \$24.60 in Canada, and \$19.00 in Germany).

Careful analyses of health care cost differences, such as Victor

Joe White is a research associate in the Brookings Governmental Studies program. He is the author of Competing Solutions: American Health Care Proposals and International Experience (Brookings, 1994).

RIGHT PRICE

STATES CAN LEARN FROM HEALTH CARE ABROAD

Fuchs' studies of Canada, continually find that the lower fees help explain the much lower costs in these other countries. And although measuring overall performance of the different health systems is extremely difficult, after considering every factor I could find for my forthcoming book, *Competing Solutions*, I cannot see that the United States has any advantage in overall performance over Canada or France, or an advantage over the other countries that could remotely justify our excess costs. Furthermore, none of the five has shortages of physicians, even though doctors earn less.

There is no mystery about why fee limits work in all these other countries. The reason has everything to do with the nature of the health care market.

JOE WHITE

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The Medical Nonmarket

It would be nice to have some other word than “market” to describe the buying and selling of health care. Health care is not the only product for which sellers can create demand by telling poorly informed buyers what they should want. But it is unique in that, at times of greatest expense, the buyer may not even be conscious and is usually in pain and fear. Even more significant, purchasers are not spending their own money.

A market brings supply into balance with demand through prices. Purchasers can buy only limited goods because they have limited incomes. They face *price constraints* at the point of purchase. Sometimes they choose to forgo or buy less of a good, or buy lower quality, so they can buy something else.

In a normal market, price constraints are not a problem. They are the *point*: they are how scarce goods are allocated. But most people do not accept price constraints for health care. Nor can they use the normal ways to work around constraints. It is easier to delay having the house painted than to put off having a bone set. You can save to buy a house and wait until you have the downpayment, but you cannot save for a lymphoma that may strike at any time. You can borrow for a house, but not for treating the lymphoma.

Since they cannot delay, borrow, or save separately, rational individuals who want to be sure they can buy health care save together. They all pay into a fund and withdraw as they incur medical expenses. Since most people are not sick most of the time, each can contribute less than if they all saved separately. Usually people save through insurance. Insurance may be provided by a government or by private insurance companies or by institutions such as the German and French sickness funds that fit neither category. But no matter who the insurer is, if it pays for care, then the beneficiary, who consumes the care, does not. Facing no price constraint, even the rare informed consumer has little reason to shop for a better price or to worry about how much she buys.

Since buyers are not constrained, suppliers cannot allocate resources according to relative demands revealed by price, and the usual logic of price-setting by supply and demand disappears. There are no “market signals” about priorities.

According to this logic, health care costs are too high because insurance eliminates price constraints. But eliminating price constraints is the whole point of insurance. Critics who worry about market distortions therefore should oppose insurance first and then worry about “price controls.” Many economists and some Republican politicians do want to limit insurance drastically, but the public is not likely to agree. Certainly few people believe the goal of health care reform should be to reduce their insurance.

So the question becomes how to counter the cost-increasing effects of insurance. Without national health insurance, the United States still protects about 80 percent of medical care against price constraints (payment out of pocket). Every country *with* national insurance covers at least as large a proportion of costs. Yet they all have lower total costs because they have taken the measures that are appropriate for the health care nonmarket.

Fee Schedules and Price Controls

Fee schedules are one key measure. A fee schedule is a set of prices for some group of medical goods and services. It applies, with expressly limited exceptions, to all buyers and sellers of health care in a geographic area. The schedule specifies what buyers should pay, and therefore how much sellers can charge, for those items.

Many thorny questions arise in designing any fee schedule. What should be done if providers have different costs for good reason (such as teaching hospitals)? To what extent should services be bundled (grouped into a single category, such as a hospital day rate for all services, or a charge per diagnosis) or separated? Who should determine the fees and how?

These are real problems. But they receive much less attention than the three “problems” raised by people who oppose fee schedules for insured health care because they confuse them with price controls in normal markets.

The first problem is that price controls require an immense and ineffectual bureaucracy. And it is true that ordinary controls are imposed on a huge array of transactions, freezing existing prices on millions of items, with no coherent records of the original prices, no way to communicate the standards to all purchasers, and no good way to monitor future transactions. That can be an administrative mess.

But in health care, payers are far fewer—just public and private insurers. Each payer has every incentive to know the proper price and pay no more, and each provider must hesitate to cheat and endanger a relationship that likely encompasses thousands of bills. No bureaucracy exists beyond the payers themselves, who have to process bills one way or the other. The payers can even, as in Germany and Japan, create central clearinghouses (*especially* if all pay the same fees). In fact, fee schedules *simplify* administration. Billing is much more expensive in the United States than in countries with fee schedules because providers have to figure out what each payer is willing to pay, payers must determine providers’ “charges,” and then they have to fight about disagreements.

A second problem with price controls is that they hold down costs only temporarily. When they are removed, inflation returns at higher rates to reflect suppressed demand. But fee schedules are never removed. Updated, revised, raised, yes. Removed, no. They are the way business is done.

The third problem is that price controls distort supply and demand and lead to shortages, queues, and inefficient allocation of resources. But in the health care market, there is already no reason to expect an efficient allocation of resources. To the extent that fee schedules reduce funds available to compensate health care providers, one might expect them to reduce the supply of services. Yet that is hardly inefficient if the supply is already excessive (as many of the economists who signed the letter in the *Wall Street Journal* would assert). Even more to the point, the usual criticism of fee limits among people who study health care is exactly the opposite: they say fee schedules lead to too many services.

The “P Times V” Problem

Health policy analysts know that health care is not a normal market, that providers can create demand by telling poorly informed patients they need certain services. Therefore, if fees are regulated, providers may maintain their desired incomes by providing more services. This is the oft-cited “P times V” problem: you cannot control costs by controlling prices, P , if providers can just raise the volume, V .

But fee schedules *can* help to control costs. Medicare estimators in the United States have a standard assumption that physicians will raise volume enough to make up for half, but only half, of any fee constraint imposed by Medicare. Sometimes, as in the past year, volume increases less. It is important to understand why.

Not all health care providers can induce demand enough to compensate for lower fees. A doctor can indeed tell a patient to come back for an extra office visit. But a pharmaceutical company cannot prescribe drugs. And hospitals do not generally create admissions. Hospitals and drug companies could try many tactics to increase sales, but they would do so at any price level, with only limited success.

In short, providers can most easily raise their level of services if they prescribe what they provide. This is a moral hazard even without fee regulation, which is why the American Medical Association has been embroiled in debate about self-referral. Physicians who own interests in labs may prescribe more tests whatever the fees. And Japanese physicians, who dispense their own drugs, prescribe so many that cynics have coined the phrase “pickling” in drugs to describe the practice.

Yet even when providers also prescribe, they neither can nor would choose to increase volume at will. Many doctors can rationalize an extra test “to be sure,” if it is not invasive. But only a tiny minority would do painful and unnecessary procedures for financial reasons. Japanese pharmaceutical costs fell dramatically as a share of health care spending during the 1980s because doctors could not prescribe enough to make up for stringent fee controls (their patients apparently already being thoroughly pickled).

All this is theory, but it helps explain the facts: more stringent fee regulation is not generally offset by higher volume. The Physician Payment Review Commission and the Congressional Budget Office both have developed estimates of volume response based on a wide array of data. CBO estimates that for restraints applied to all payers, physicians could increase volume enough to offset 55 percent of revenues lost, while institutions such as hospitals would be able to offset much less, about 15 percent of revenues lost.

It's Not P Versus V

The whole argument that prices should not be regulated because volume will rise to compensate is, on reflection, strange. Assume that the argument is correct, that fee-setting results in no savings. That leaves a choice. For any given level of costs, we

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could have *more* services per person (lower P and higher V) or *fewer* (higher P and lower V). Health care must be the only market in the world where any economist would maintain that more services for lower prices is not a good idea. Certainly, lower prices and more service is what consumers normally prefer.

So if, in the interest of controlling costs, one had to choose between regulating prices or volume, one should regulate prices. But it is not either/or. Volume rises for many reasons other than to satisfy providers. An aging population has greater needs, medical technology creates new treatments, and the two tend to meet. Sometimes the technology and treatments are appropriate and sometimes not. There are arguments for regulating volume whether or not prices are set.

The *most* effective form of cost control is to give an organization a budget and make its managers and physicians worry about prices and volume within that budget. That is the logic of American HMOs, and of hospital care in Australia or Canada or Germany or France. I like the system, but it is not a market.

There are two alternatives. One is third-party managed care, in which a payer pays fees for service but tries to manage volume by direct oversight of treatment decisions. This is the most bureaucratic form of cost control imaginable: rules are developed, procedures must be cleared, a staff of nurses at the central office of the insurer tries to govern doctors perhaps hundreds of miles away.

The alternative, much less invasive, approach is to adjust fees to volume. If volume rises more than expected, fees are allowed to rise less. That is the method of Medicare Volume Performance Standards in the United States, fee-schedule updates in Canada, and physician payments in Germany. The approach exists in more and less binding (and effective) versions. But all depend on having fee schedules.

Choices and Exceptions

Setting fees saves money. The “ P times V ” problem means only that sometimes both price and volume must be addressed. No one in her right mind would address only volume. If insurance means that sellers of health care can raise volume in response to lower prices, then in the absence of price constraints they can certainly raise prices in response to lower volume. Given insurance and fee-for-service care, price regulation is necessary even when it is not sufficient.

Does that mean all fees must be set for all transactions? No. Many exceptions are possible. Fee schedules are never applied to medical services that are not part of the national standard of care guaranteed to everyone, such as private rooms in hospitals or cosmetic surgery.

Australia provides a good example of another exception. The fee schedule is not binding: doctors can charge as much as they wish. But people cannot insure for more than the schedule amounts. If

they want to pay more, they must do so out of pocket. Some inequities result, but except in specialties in short supply, the average fee ends up being pretty close to the schedule. Although it is a political compromise, the Australian approach makes sense as a matter of principle: the portion of medical payment that is not subject to price constraint is regulated, and the portion that is, is not.

Germany provides other exceptions. Some funds pay marginally more than others—enough that doctors may be more eager to see those patients, but not enough that other patients will not be happily accepted (especially in a system with more doctors per capita than ours). Ten percent of Germans have private insurance, which pays doctors much more and buys much more eager service. But that has little effect on everyone else. The German situation contrasts with Medicaid, which sets fee schedules so much lower than the local norms that few doctors choose to practice where Medicaid patients predominate.

As this comparison suggests, a standard fee schedule has one advantage that is not about cost control at all. When there is one set of fees, or the exceptions are minor, all patients get comparable and decent treatment.

Many providers would argue that standard fees have a compensating disadvantage: to reduce discrimination among patients, they prevent appropriate rewards for higher-quality doctors or hospitals.

Many doctors no doubt feel they should distinguish themselves from others by charging more. I bet a good majority feel they are much better than average. Yet there is lots of doubt that the average patient or even provider can really judge hospital or physician quality. If reputation is accurate, those with better reputations should earn more from getting more business even if fees are standard. If that is not enough economic incentive, and professional pride requires more, that is another argument to allow exceptions such as those in Germany or Australia, which must be balanced against the possible inequities for patients. It is not sufficient reason to leave prices to a very flawed market process.

“No, Not That Price”

What light does all this shed on the Clinton administration’s Health Security Act, whose most visible “price control” is the attempt to limit premiums for insurance, not prices for services?

Certainly there is less obvious reason to set prices for insurance than for health care services. When we buy insurance we are not so vulnerable and we are spending our own money. (Analysts who counter that individuals pay with tax-free dollars when they buy with employer contributions fail to notice that employers view their contributions as a major expense, and it is employers who choose the options and negotiate the prices.)

The real issue is the cost of health care, not of insurance. Premium-setting could create a “shortage” (the standard evil from price controls) of insurance only if insurers could not stay in business at a given price. But that depends on how they can control the

costs of care. Similarly, competition can control costs only if insurers have some way to do so.

As long as nobody asks precisely how plans will control costs, people can argue about premium caps. Supporters of managed competition without a cap argue that the administration shows it does not believe in the theory by having the cap. Defenders of the administration argue that if competition works, the cap will have no effect, so it is their critics who are showing a lack of faith. Both avoid joining the real issue: whether plans can control costs in a way that maintains acceptable health care.

The Clinton Administration Is Right

Once we ask the right question, the administration’s plan looks better. If fee schedules can help, Health Alliances and states should have the option of creating them. The designers of managed competition claim their proposal would create larger plans that would have more market power to bargain for lower prices. But if this kind of market power is good, then “all-payer bargaining,” in which insurers form a united front to negotiate standard prices, must be better. All plans in an alliance area could get together to bargain with providers without state involvement, as in Germany, or with it, as in France.

The administration’s plan provides a choice of such approaches—either state governments or the alliance would create a fee schedule for fee-for-service medicine, defined as care that is not provided by plans with limited lists (a “closed panel”) of providers. That is one of the targets of protests about “price controls.”

The protests are wrong, primarily because their basic criticisms of fee schedules are wrong. In addition, the fee schedule will greatly simplify payment for services “out-of-plan”—services received either in emergencies or when people within a closed panel exercise a “point of service” option to use another provider with higher costsharing. Without a standard schedule, all those systems would have the billing complexities of our current system. And fee regulation is necessary to make fee-for-service medicine affordable and maintain the kind of medicine that most physicians and patients seem to prefer. By regulating fee-for-service prices, the Clinton plan makes possible a choice between fee-for-service plans with more choice and capitated HMOs with less.

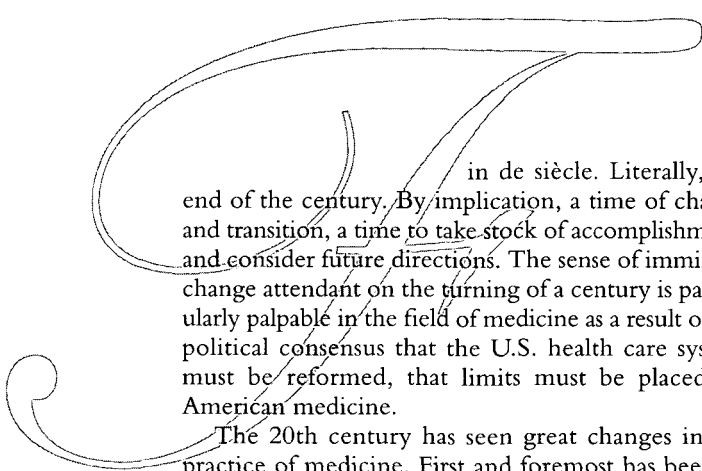
Designers of managed competition such as the Jackson Hole group make strange bedfellows with some other critics of fee schedules, such as conservatives within the AMA. The latter want to charge whatever they wish for services. The former want to eliminate fees for service.

The Jackson Hole group is correct: insurance should not be expected to pay whatever a doctor or hospital chooses to charge. But the American public has not rushed to join the kind of HMO that group prefers.

The administration’s plan offers Americans a choice between what Australians, Canadians, Frenchmen, Germans, and the Japanese all have—affordable health care without closed panels—and (presumably less expensive) HMOs. *That’s* the kind of competition needed to build a better health care system. ■

Fin de Siècle M E D I C I N E

AVOIDING THE UNINTENDED CONSEQUENCES OF HEALTH CARE REFORM



Fin de siècle. Literally, the end of the century. By implication, a time of change and transition, a time to take stock of accomplishments and consider future directions. The sense of imminent change attendant on the turning of a century is particularly palpable in the field of medicine as a result of the political consensus that the U.S. health care system must be reformed, that limits must be placed on American medicine.

The 20th century has seen great changes in the practice of medicine. First and foremost has been an increase in medical capabilities as medicine and medical education have become increasingly scientific. Technological advances have transformed patient evaluation and therapies. At the turn of the last century, diagnosis was the problem. Today, the ability to diagnose far outpaces the ability to devise effective therapy. Perhaps the most graphic example of the change is the use of x-rays. In December 1895 the German physicist Wilhelm Roentgen presented the world with its first x-ray, a vision of Mrs. Roentgen's hand on a photographic plate. Today, computed tomography (CT) and magnetic resonance imaging have made diagnosis increasingly a matter of technology. Most recently the great advance has been the biological revolution, whose application to medicine is still in its infancy.

The view of the physician has also changed. Medicine has become less pastoral. It is less a calling. The physician is expected to be much more the technical expert. Both patient and physician clearly perceive a financial component to medicine. Specialization has become the rule, with a resulting decrease in primary care physicians. The old view of the caring, empathetic, paternal physician acting in the best interest of the patient, often making unilateral decisions about what was best for the patient, has yielded to the current view of the technical expert who is to involve the patient in decisionmaking and be a consultant

rather than a loyal guide and supporter through the travail of illness.

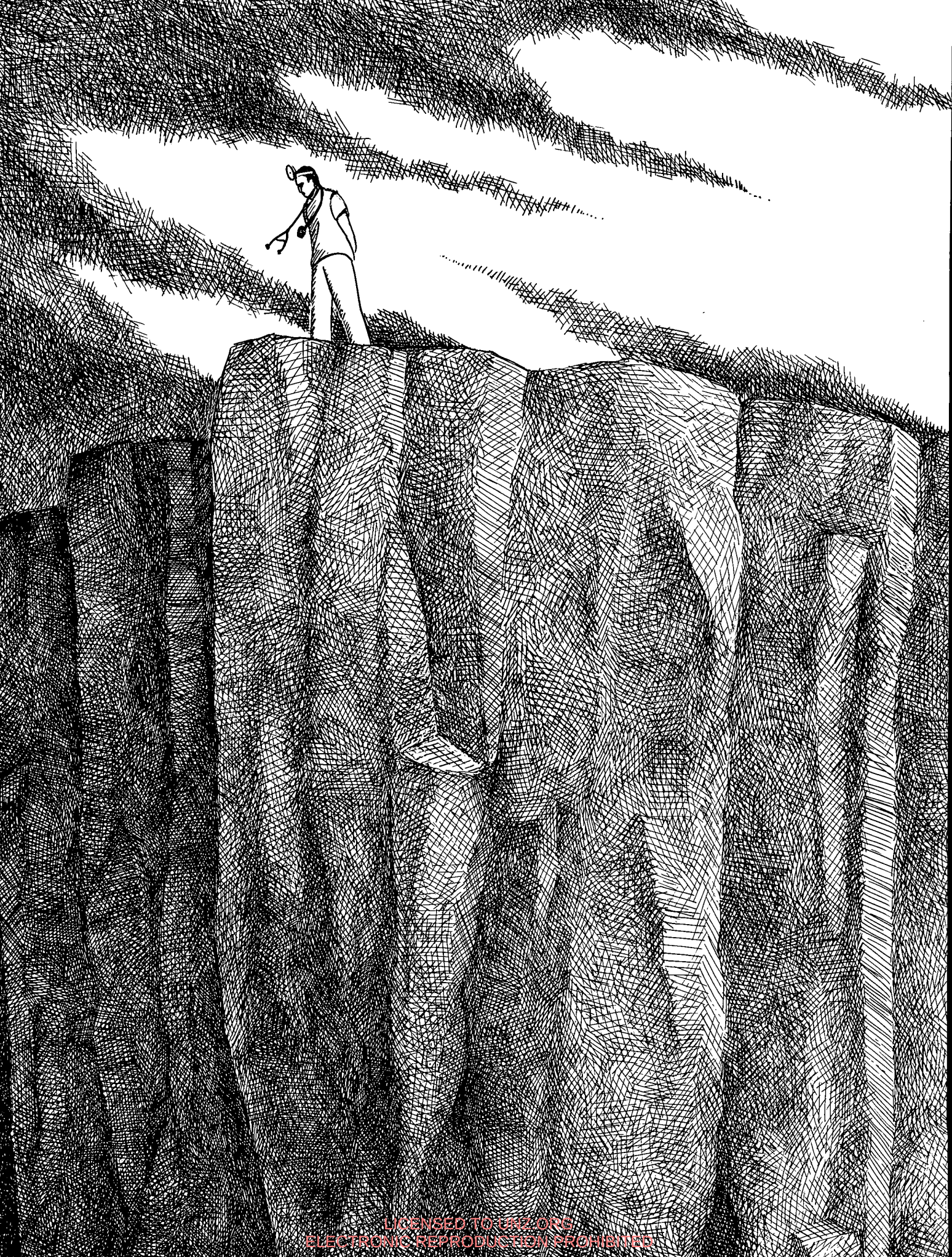
What further changes will health care reform make in the practice of medicine? Reform, as we all know, has been stimulated primarily by the rising costs of medicine, perhaps most disturbingly, the rate of rise of these expenditures. My colleague at the University of Chicago, Mark Siegler, captures Americans' sense of the profligacy of their health care system by recalling Jack Kent Cooke's explanation of why he fired George Allen as coach of the Washington Redskins football team: "I gave Allen an unlimited budget," snorted Cook, "and he exceeded it." But while much of President Clinton's "Health Security Act" is focused on costs, its proposed solutions will greatly affect medical practice and our expectations of it.

Make no mistake, I strongly favor reform of our health care system. I do not suffer from "mural dyslexia": I can read the writing on the wall. The changes proposed by the president, attacking not only excessive costs but also the grave problem of lack of access to medical care, are all well intended. But in what the president characterizes as the biggest social program enacted since Social Security, the likelihood for unintended consequences is great. Rather than wait to deal with those consequences, we should engage now in a public dialogue about the benefits and shortcomings of our current health care practices so that the changes we make foster and preserve what we value and correct what we do not. Furthermore, making our system more efficient will reduce costs, but it will not affect the rate of increase in health care expenditures. Accomplishing that will require some form of rationing. And that surely requires widespread public discussion—to make sure finance-driven reform does not lead us in wrong directions.

I see potential risks in two areas: first, research and innovation and, second, the traditional doctor-patient relationship.

SAMUEL HELLMAN

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Medical Innovation

Many of the treatments medicine offers today are what I would describe as “halfway technology.” Although they clearly have beneficial results, they do not solve the medical problem—as, for example, treating a bacterial infection with effective, nontoxic antibiotics solves *that* problem. Examples of halfway technology, to name but a few, are renal dialysis, most cancer treatment today, coronary artery bypass surgery, and the use of insulin to treat diabetes. All have clear benefits. No doubt patients are better for having received them. But all leave much to be desired. And all are very expensive—because of the equipment and personnel involved, because the treatment often produces morbidity, because it often does not cure but only changes the pace of illness. Despite these limitations we value them greatly, for without them much of what is beneficial in medical treatment would be lost for our patients.

When I began my residency in 1960, Hodgkin’s Disease was fatal for about 75 percent of its victims, usually young adults who suffered greatly during their illness. Today, with the advent of halfway technology in the form of precise high-energy linear accelerators and multidrug chemotherapy, as well as much better diagnostic techniques, the situation has reversed. Now 75 percent of patients are cured. Nevertheless, the treatment is still halfway technology, unsatisfactory because it produces many undesirable early and late side effects and is time consuming, expensive, and not universally effective. What will health care reform do to such expensive, effective, but not optimal treatments? I fear it will try to husband limited resources by constraining these procedures and by trying to make them as efficient as possible—ultimately stifling innovation and discouraging efforts to improve the treatment, while preserving the status quo in medicine.

The primary site for clinical innovation is the academic health center. But investigations carried on in these centers are often not considered to be research, whose support should come from the major funding agencies such as the National Institutes of Health, but rather technical improvements, to be funded by patient care revenues. Naturally, these investigations, plus the cost of extensive medical teaching programs for medical students, residents, and postgraduate fellows, push the cost of care in the academic center far beyond that in the community hospital. Although the president’s plan provides funding for these centers, it primarily replaces monies now provided as Medicare Indirect Medical Education Payments, which recognize some of the costs of residents and medical students, rather than supporting investigation. The only clinical investigations slated for support in the president’s plan are those that evaluate the outcomes of current medical practices and improve the delivery of care. Preserving medical innovation as a vital mission of the academic medical center will require a clearly designated mechanism of support.

Both innovation and its site of performance are thus vulnerable to a system driven primarily by a cost-control mandate. Already, in the Minneapolis–St. Paul region, the University of Minnesota has been omitted from integrated health insurance plans in favor of

community hospitals, which, unencumbered by innovation and training costs, can perform the same services more cheaply. The president’s plan requires that health plans have contractual relations with academic centers for treatment of rare diseases and for specialized procedures, but fiscal prudence will encourage restricting these arrangements as much as possible, still leaving academic centers at risk. In arranging for the reform of the financing of health care, society must be clear about the value it accords continued research and innovation and whether it regards them as goals of importance at least equal to controlling costs.

The Biological Revolution

Related is a concern that we will no longer encourage commercial efforts to bring to clinical medicine the fruits of the biological revolution. The proliferation of small biotechnology companies developing new therapeutics such as human growth hormone and growth factors that control blood cell production provides evidence of a new field in which the United States is the world leader. A market that values cost control more than increased spending for improvement in health care is not likely to continue the expansion of biotechnology, at least as directed toward eventual medical use. Some observers are already concerned about the slow commercial development of growth factors that have enormous clinical value in the healing of wounds.

The public has yet to realize the dimensions and implication of the biological revolution on which we have embarked. Some observers have compared it with the revolution in physics triggered by the development of quantum mechanics. In some ways, and without much hyperbole, a more apt comparison might be with the industrial revolution—for the biological revolution will transform our daily living. But how will the biological revolution be affected by health care reform? Once begun, the revolution cannot be stopped. But it can certainly be slowed or redirected.

The new biology has already begun to present us with vexing ethical questions, most obviously those concerning the beginning and end of life. More questions will come, many hinging on considerations of individual versus societal good and raising the specter of rationing. It is simplistic and wrong to say that these difficult problems are caused by science and can be avoided by no longer supporting research. The genie is out of the bottle. What we must do is encourage public dialogue on how to use the results of scientific discovery. Societal value judgments must underlie any discussion of the rationing of health care required by cost containment.

Doctors and Patients

The nature of the doctor-patient relationship has already been changed by the scientific advances of medicine during the 20th century. How will it change further under the pressure to reform health care to control costs?

Traditionally the medical profession has been primarily concerned with healing, with the family doctor caring directly for his patients with unswerving loy-

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alty—reducing suffering, curing if possible, and comforting always. The increase in specialization and scientific medicine in this century has challenged this romantic view of the physician and has generated a nostalgic longing for general practitioners—who, we tend to forget, had far fewer effective therapies to offer than today's specialists do.

Dovetailing with this wish for a return to the simpler age of the nonspecialist is the conviction of health care reformers that expanding the role and number of primary care physicians would be a major force for cost control. We are already moving, under pressure to lower medical costs, toward "managed care," with primary care physicians assigned the role of "gatekeepers." Will the president's plan increase the switch to managed care, and if so, is that what we want?

Will the increased importance of the primary care physician as opposed to the specialist, for example, reduce the use and availability of halfway technology? Will the new forms of practice diminish further the relationship between patient and doctor? Perhaps more disturbingly, will concerns for cost and societal utility undermine the confidence of the patient that the physician is acting in his or her best interests? Increasingly, physicians will be members of organizations whose primary mission will be providing acceptable care at the lowest price—admittedly a laudable goal for the system. But what are the implications for the physician-patient relationship? Both the traditional view of the caring doctor and the more recent one of the technical expert are based on the belief that the physician will act in the patient's best interest. Will this belief be eroded in a managed care system, especially as physicians are rewarded or penalized based on expenses incurred as a result of their efforts on the patient's behalf? A recent report in the *Los Angeles Times* describes the development of for-profit "super groups" of physicians, formed in preparation for health care reform legislation, in which generalists will benefit financially by handling patients and procedures

themselves rather than referring them to specialists. Rather than a warm, empathetic general practitioner, will health care reform offer us instead a busy physician responsible both for husbanding limited resources and for being the patient's advocate? I fear the conflicting responsibilities will undermine the essence of the doctor-patient relationship: the assurance of the physician's primary loyalty to the patient.

Reform and National Values

To conclude, I worry that the emphasis of health care reformers on correcting problems of cost may inadvertently damage some aspects of the current system that we value greatly. We must also accept that control of the rate of rise in health care costs will require some form of rationing. Public discussion of all these issues is essential. Rather than finding later that we must undo the unintended consequences of reform, we must guide the reform process to be consistent with our values.

Do we as a nation believe that we should slow down the engine of medical innovation? This engine is traditionally thought to be in the university, but it is also in industry, where many of the technologic and biologic advances found in the laboratory are brought to fruition. What of the opportunities provided by the biological revolution? Reducing medical innovation and discovery will have consequences for our position as the leader in biomedical research and the quality of our very best medicine.

The changes in the social context of medical care also suggest a changing social contract, one in which the relationship between the doctor and the patient will be much more constrained by considerations of the common good. The physician may be asked to be less an agent of the individual patient, to assume divided obligations and responsibilities. While we must develop societal consensus regarding cost control, we should not undermine the individual doctor-patient relationship and the shared understanding of the physician's primary loyalty and fidelity to the patient. ■



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HOW TO SHARE THE BURDEN

LONG-TERM CARE REFORM IN THE 1990S

JOSHUA M. WIENER AND LAUREL HIXON ILLSTON

Although the impetus behind the nation's quest for health care reform is public dissatisfaction over glaring deficiencies in America's acute care health system—primarily excessive cost and the inability of millions of Americans to get health insurance—the way the nation provides for the financing and delivery of long-term care may be even more badly in need of reform. Strong considerations, both public policy and moral, argue for addressing health care for the uninsured first, before long-term care. Yet no other part of the health care system generates as much passionate discontent as does long-term care.

At the heart of the problem is the absence of any satisfactory way to help people anticipate and pay for long-term care. The disabled elderly find, often to their surprise, that the costs of nursing home and home care are not covered to any significant extent by Medicare or private insurance. Instead, they must rely on their own savings or, failing that, turn to welfare in the form of Medicaid. At an average cost of \$37,000 a year for nursing home care, long-term care is a leading cause of catastrophic out-of-pocket health care costs for the elderly. In addition, despite the strong preference of the disabled for home and community-based services, the financing that exists is highly skewed toward care in nursing homes.

Increasing Strains on the System

If nothing is done to change the way long-term care services are organized, used, and reimbursed, these

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problems will only get worse over the next few decades. The number of elderly will grow rapidly, as will the use of nursing home and home care. From 1993 to 2018 elderly users of nursing homes are projected to increase from 2.2 million to 3.6 million; users of home care, from 5.2 million to 7.4 million.

The bill for that care is sure to rise. As table 1 shows, nursing home and home care spending for the elderly is projected to increase from \$75.5 billion in 1993 to \$168.2 billion in 2018 in constant 1993 dollars. Indeed, spending will rise even faster than use, primarily because nursing home and home care prices are likely to increase faster than general consumer prices.

The Clinton Proposal

To begin to address these problems, the Clinton administration is proposing significant new long-term care initiatives. The president's plan includes a large new home care program for the severely disabled of all ages and incomes, slight easing of the financial eligibility rules for the Medicaid nursing home benefit, inclusion of some nursing home and home care in the acute care benefit package for the nonelderly, favorable tax treatment and tougher regulation of private long-term care insurance, and tax credits for the long-term care expenses of the nonelderly disabled who work. In its emphasis on non-means-tested public programs and private insurance, the plan is a major departure from the current Medicaid-dominated financing system.

Long-Term Care and the Health Reform Agenda

From a policy standpoint, including long-term care in health care reform makes sense. First of all, the long-term care system is clearly broken and needs to be fixed. Second, with the exception of prescription drugs, most elderly people already have, through their supplemental private insurance, the kind of expanded acute care coverage proposed by the administration for the nonelderly. It would make better policy to put new money for the elderly into long-term care services that they do not already have.

In addition, excluding long-term care services from any system that attempts to rein in health care spending through the setting of strict budgets creates strong incentives for health care providers either to substitute nursing home and home care for hospital services, or, less benignly, to reclassify acute care services as long-term care. Either way, the long-term care sector could become an escape hatch from the health care budget and will inevitably mean greater pressure to provide more long-term care services to more people.

Finally, including long-term care increases popular support for general health care reform. According to recent surveys by Consumers Union and the American Association of Retired Persons, people are much more supportive of reform that provides long-term care benefits.

Changes in the financing and delivery of long-term care reform are clearly part of the administration's health reform effort and have been since the beginning. While the president is not promising to solve the problems of long-term care, he—almost alone among those offering legislative proposals—is firmly committed to making inroads into reform.

Public and Private Sector Initiatives

The debate over long-term care reform boils down to an argument about the relative merits of public and private long-term care insurance. Ideologically speaking, on one extreme is the view that the primary responsibility for care of the elderly belongs with individuals and their families, with the government acting only as a payer of last resort for those unable to provide for themselves. On the other is the view that the government should take the lead in ensuring care for all disabled people, regardless of financial need, by providing comprehensive, compulsory public insurance, with little or no role for the private sector. Between these polar positions many combinations of public and private responsibility are possible, and most people would probably opt for some middle ground.

Choosing the right balance between public and private programs depends not only on political ideology, but also on key practical matters: whether public and private initiatives are affordable and effective and whom they would benefit. While private insurance for such catastrophic events as hospitalization, automobile accidents, home fires, and early death has long been widely available for most Americans, insurance against the potentially devastating costs of long-term care is still relatively rare and very recent. The Health Insurance Association of America reports that the number of insurance companies offering long-term care poli-

cies increased from 75 in 1987 to 135 in 1992, while the number of such policies ever sold grew from 815,000 to 2.9 million.

Although there is considerable room for growth in the private insurance market, numerous barriers stand in the way of the widespread use of private insurance to finance long-term care. First, such insurance remains unaffordable for most elderly people. The average annual premium for high-quality policies sold by the leading sellers in 1991 was \$2,525 at age 65 and \$7,675 at age 79. The policies are expensive for two reasons. First, 9 out of 10 are sold individually and, therefore, carry high administrative costs. Second, most policies are bought by older people whose risk of needing long-term care services is great.

The solution is for younger people to purchase policies and employers to offer long-term care insurance as an employee benefit. But here other barriers arise. Working-age adults are unlikely to *buy* the insurance. They have numerous competing demands on their disposable income. And often they deny the risk of needing long-term care or believe that Medicare or Medicare supplemental insurance will cover its costs. On the employer side, many companies already face huge unfunded liabilities for retiree health benefits and are unlikely to want to take on another costly and unpredictable expense. In 1992 only about 350,000 policies had been sold through 566 employers, and virtually all were offered on an employee-pay-all basis.

These difficulties have led to proposals to provide public subsidies for private insurance as a way to expand the market. One proposal would offer tax deductions or credits to people who buy policies. Another would allow people who buy approved policies to become eligible for Medicaid after "spending down" to a higher level of assets than is normally permitted.

Using the Brookings-ICF Long-Term Care Financing Model, we have assessed four private long-term care insurance options. Three are oriented toward purchase by the elderly. The first assumes that they will buy a policy if premiums are no more than 5 percent of their income and they have a minimum of \$10,000 in nonhousing assets. The second plan provides easier access to Medicaid for people aged 67 and older who purchase private insurance and increases the level of protected assets by the amount paid by insurance. The third provides a 20 percent, income-limited tax credit for the purchase of private long-term care insurance. A fourth, nonelderly-oriented, option simulates the purchase of group policies beginning at age 40, with premiums costing 2 percent of income in earlier years and rising incrementally to 5 percent at age 67. Elderly purchasers must also have \$10,000 in nonhousing assets. Employers pay half the cost of the policies.

As table 2 shows, the simulations suggest that private long-term care insurance is at a crossroad. As long as it is aimed principally at the elderly population, its market penetration and ability to finance long-term care will likely remain limited. Even under the assumption that the elderly with only minimal assets will spend a substantial portion of their income for policies, only one in five elderly people is likely to

have a policy in 2018, largely because good-quality policies are just too expensive. The dilemma is that when people's interest in purchasing long-term care is greatest—when they are elderly—the policies are unaffordable.

Because of limited market penetration, private insurance bought by the elderly is unlikely to substantially ease the burden of out-of-pocket long-term care costs. Moreover, because private insurance will be bought mostly by the upper-middle and upper-income elderly, it will have little impact on public spending through Medicaid.

The picture would change significantly if employers could be persuaded to offer private long-term care insurance to their active employees and if workers were willing to buy it. Clearly, the affordability problem can be substantially solved by selling properly structured policies to the nonelderly. The improvement in affordability derives almost entirely from convincing people to buy policies at a younger age, rather than from administrative efficiencies of the group insurance market. (Supply and demand barriers, however, mean that actual experience with employer-sponsored insurance is likely to be much less favorable than the simulations suggest.)

In short, private long-term care insurance is likely to grow, but not enough to play a major role in financing nursing home and home care. While recognizing these limits, the administration nevertheless proposes to encourage private long-term care insurance by providing favorable tax treatment and by strengthening consumer protections.

Welfare or Social Insurance?

Given the limits of the private sector, policymakers must decide what public programs should look like. Two broad approaches are possible. Either we can continue to use the means-tested welfare program, Medicaid, as the principal government program to finance care, but liberalize it so that eligibility does not require total impoverishment, or we can finance more long-term care benefits through a new social insurance program.

The principal argument for staying with Medicaid is that it focuses public funding on the most urgent needs of the low-income disabled population at the lowest possible public cost. While targeted to the poor, it also provides a safety net for middle-income people with high long-term care expenses. The cost to taxpayers of expanding Medicaid is comparatively small, with spend-down requirements ensuring that Medicaid finances only that part of the care that is beyond the means of the elderly. Medicaid's bias toward nursing home care guarantees that people receiving publicly financed care are predominantly the severely disabled and those without family support. And some home care services are available. In addition, Medicaid is an entitlement, which means that spending rises with need and is not limited arbitrarily by the appropriation process. Because Medicaid is already heavily involved in long-term care, it is a reasonable vehicle for making incremental changes.

But even after significant improvement, Medicaid

Table 1. Spending for Nursing Home and Home Care, under Current Policies

BILLIONS OF 1993 DOLLARS

PAYMENT SOURCE	1993	2018	PERCENTAGE INCREASE
			1993–2018
NURSING HOME SERVICES			
Medicaid	\$22.4	\$49.0	118
Medicare	4.3	10.0	132
Out-of-pocket	28.0	69.2	147
TOTAL	54.7	128.2	134
HOME CARE SERVICES			
Medicaid	3.6	5.2	45
Medicare	9.4	19.0	102
Other payers	2.2	4.3	92
Out-of-pocket	5.5	11.5	109
TOTAL	20.8	40.0	93

Source: Brookings-ICF Long-Term Care Financing Model. Average annual expenditures. Nursing home and home care inflation is assumed to be 5.5 percent a year; general inflation, 4.0 percent a year; long-term care inflation in excess of general inflation, 1.5 percent a year. Other payers include state and local expenditures, social services block grant, Older Americans Act and Department of Veterans Affairs home care funds, charity, and out-of-pocket expenditures by persons other than the recipient of the service.

Table 2. How Much Can Private Insurance Do? Simulation Results for Four Major Options, 2018

OPTION	ELDERLY WITH PRIVATE INSURANCE ^a	TOTAL LONG-TERM CARE SPENDING PAID BY PRIVATE INSURANCE ^b	PRIVATE INSURANCE	REDUCTIONS IN CATASTROPHIC OUT-OF-POCKET SPENDING FOR NURSING HOME PATIENTS ^e
			TOTAL LONG-TERM CARE SPENDING ON NURSING HOME PATIENTS WITH INCOMES > \$40,000 ^c	
5 percent income	20%	9%	70%	-2%
Medicaid insurance	32%	14%	61%	-4%
Tax favored insurance	28%	12%	64%	-3%
Employer sponsored	80%	35%	26%	-32%

Source: Brookings-ICF Long-Term Care Financing Model.

a. Age at initial participation is 67 for all options. Consequently, all are expressed as the percent of elderly aged 67 and older.

b. Total long-term care expenditures vary by option.

c. Income is presented in 1993 dollars.

d. Medicaid nursing home expenditures for the base case are \$49 billion.

e. Defined as > 40% of income and nonhousing assets.

would still be a means-tested welfare program that places the burden of needing care on the individual. Most of Medicaid's problems (lack of broad political support, and inadequate access and quality that perpetuate a two-class system) are directly related to its status as a welfare program. At a minimum, fixing all that is wrong with Medicaid would not be cheap, and recipients would still be required either to impoverish themselves (albeit to a lesser extent) or to hide assets to appear poor.

A social insurance approach to financing long-term care would offer coverage to everyone regardless of financial status. Advocates of social insurance see no cogent reason why long-term care should be primarily financed through a welfare program, while acute health care and income support for the elderly are financed through Medicare and Social Security, both social insurance programs.

A social insurance strategy offers several advantages. First, it guarantees universal coverage. Second, because social insurance programs provide benefits without regard to income, receipt of services carries no stigma. Moreover, social insurance programs have wider public and political support than programs for the poor. Third, a social insurance strategy would also mitigate the access and quality problems that plague the current Medicaid-dominated system of financing and delivery.

The primary disadvantage is that most social insurance proposals would cost the government a lot of money—a formidable barrier in view of the combination of an intractable national debt and resistance to new taxes. Added to this are the fears of an uncertain national economic future and the costs associated with a rapidly aging population. Also, critics argue that social insurance will provide some benefits to the upper-income elderly who can afford to pay for long-term care themselves. Finally, critics contend that it would be “generationally inequitable” to create yet another program—besides Social Security and Medicare—that benefits mostly the elderly but is financed mostly by the nonelderly.

To assess the effects of liberalizing Medicaid and initiating social insurance, we modeled five options. The first retains the basic Medicaid structure, but makes changes in financial eligibility standards (income and assets), personal needs allowance, and service coverage. The next four options resemble some of the social insurance programs proposed in Congress and by the Clinton administration: a home-care only program with no additional nursing home coverage, an expanded home care and “front-end” nursing home strategy that covers the first six months of a nursing home stay, an expanded home care and “back-end” nursing home strategy that covers nursing home care but only after a two-year deductible period, and an expanded home care and “comprehensive” nursing home strategy that offers first dollar coverage of nursing home care with no time limits. Because all four social insurance strategies leave at least part of the costs of a nursing home stay uncovered, simulations include Medicaid liberalization.

As expected, far less additional public spending would be needed to liberalize Medicaid than to imple-

Table 3. Medicaid Liberalization and Social Insurance Strategies, Simulation Results, 2018

OPTION	INCREMENTAL PUBLIC COSTS (BILLIONS OF 1993 DOLLARS)		INCREMENTAL PUBLIC SPENDING ON NURSING HOME PATIENTS WITH INCOMES > \$40,000 ^a	REDUCTIONS IN CATASTROPHIC OUT-OF-POCKET SPENDING FOR NURSING HOME PATIENTS ^b
	1993	2018		
Medicaid liberalization	6.0	4.3	10%	-21%
SOCIAL INSURANCE^c				
Expanded home care only	20.8	35.2	0% ^d	-23%
Front-end nursing home and expanded home care	23.2	44.5	19%	-31%
Back-end nursing home and expanded home care	32.5	66.6	28%	-33%
Comprehensive nursing home and expanded home care	49.1	109.4	26%	-54%

Source: Brookings-ICF Long-Term Care Financing Model.

a. Income is presented in 1993 dollars.

b. Defined as > 40% of income and nonhousing assets.

c. All social insurance strategies include liberalized Medicaid benefits.

d. Incremental public spending for the elderly with incomes > \$40,000 actually decreased under this option because of the purchase of private insurance among this group.

ment any of the social insurance options—\$6.0 billion in 1993, as against \$20.8 billion to \$49.1 billion for the social insurance options (table 3). Contrary to the claims of critics, the overwhelming majority of incremental spending under all these options would be for older people with relatively modest incomes. Moreover, the public options do better than private insurance in reducing catastrophic out-of-pocket costs.

The administration's policy preference is to move toward social insurance. But fiscal realities make a mixed public-private system inevitable, and the president's proposal includes elements of social insurance, private insurance, and Medicaid reform. Still, the Clinton approach marks a large shift in perspective from the Reagan and Bush administrations, which dismissed out-of-hand any deliberate expansion of public programs and pinned all their hopes for reform on private long-term care insurance.

Home or Nursing Home?

Given limited resources for new initiatives, another policy question is how much new money to devote to nursing home services as opposed to home and community-based services. Allocating new resources to nursing homes makes sense because their services are a primary cause of catastrophic out-of-pocket health care expenses; limited data suggest that large out-of-pocket expenditures for home care services are much less common. Moreover, at least for the elderly population, few experts believe that expanding home care would significantly reduce nursing home use. As the population ages, the nation will inevitably need more nursing home care in the future.

Even so, it is all but certain that the major focus of new policy initiatives will be on expanding home and community-based services. Policymakers are reluctant to spend much more on nursing home care until they can develop a more balanced delivery system. In 1993, only about 36 percent of government long-term care spending for the elderly was for home care, and most of that was for Medicare home health, which is largely post-acute rather than long-term care. Home care is also politically popular. In a 1992–93 public opinion poll for HealthRight, more than 80 percent of respondents favored a new federal home care program.

In this area, the president's plan is a dramatic initiative to tilt the service delivery system toward home care rather than nursing home care. When his program is fully implemented in 2002, public spending for home care will be over \$38 billion more than it would have been otherwise. Under this plan, the severely disabled will have major new access to services designed to meet their needs in the community.

Holding Down Costs

To date, efforts to enact public insurance programs for long-term care have failed largely because of fears about costs. Policymakers have two concerns. The first is over the absolute level of spending required. That any public insurance program will require substantially more public expenditures is unavoidable given the deficiencies of the current system. The second con-

cern involves the uncertainty inherent in the spending estimates. The fear is that no matter how honest the estimates of program costs may be, they, like the initial estimates for Medicaid and Medicare, will prove too low. No policymaker wants to wake up one day and discover that the actual costs of the program are twice the original estimate.

Most policy discussions about long-term care reforms have been in the context of open-ended entitlement programs like Medicare and Medicaid. Yet entitlements are under attack in Congress, and acute care is "budgeted" under the Clinton plan. An explicit cap on new public long-term care spending would come close to guaranteeing that spending did not exceed a set amount. Although Americans have little experience with this strategy, an approach embodying universal access operating within a fixed budget is common to health programs in Europe and Canada.

Opponents fear that once capped, spending will not rise with inflation, population, experience, or need. And it is true that fixed-budget programs lack the automatic engine of spending increases inherent in entitlement programs. The reservations about capped programs are serious ones, but policymakers are so frightened by the spending uncertainties that it is doubtful whether a major long-term care program can be passed without a fail-safe mechanism to limit overall financial risk.

Supporters hope that since services would be provided to people of all financial means, an effective political constituency would be created to lobby for funding increases. It would also help protect funding levels if financing for the program came primarily from a dedicated revenue source (such as a payroll tax).

President Clinton's proposed new home care program includes strong mechanisms for cost containment. In addition to case management and cost sharing, it caps total federal spending. And it does not include a legal entitlement to a defined set of services, instead allowing states to provide a wide range of services, tailoring each individual's service package to his or her needs. Fiscally prudent as the decisions to cap spending and not include an entitlement may be, they nevertheless create political problems because they make it difficult to describe what benefits people will actually receive.

Prospects for Long-Term Care Reform

Despite the vulnerability of long-term care to cost concerns, policy arguments for including it in overall health care reform are strong. And certain elements of the political equation argue *for* including long-term care reform. Combining long-term care with health care for the uninsured would give otherwise well-insured people a good reason to support health care reform. And combining the two would diffuse concerns about generational equity that could hamper enacting long-term care reforms alone.

That these two issues need to be joined together to muster substantial political support, while raising the taxes necessary to finance both may not be possible, is yet one more reminder—as if any more were needed—of the difficulty of health care reform. ■

NO STOPPING IT NOW

HIGH-TECH
TRADE IN THE

NEW GLOBAL
ENVIRONMENT

WOLFGANG H. REINICKE

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O ver the past decade the world of high-technology arms proliferation has changed almost beyond recognition. As recently as the late 1980s Western policymakers regarded the problem of arms proliferation much as they had since the end of World War II—as a matter of drawing up lists of proscribed products and technologies and forbidding their export to states and regions viewed as hostile, primarily the Soviet bloc. Today, with the end of the Cold War, the basis for denying access to the Soviet bloc has broken down. And the explosion in world trade and the emergence of a global manufacturing network has made it next to impossible to deny access to state-of-the-art technologies to any nation.

Technology now travels the globe practically unfettered—through licensed production agreements, co-development programs, subcontracting, joint ventures, mergers and acquisitions, and exchanges of data and personnel. The ever-increasing trade in goods and technologies that have both commercial and military uses seems to mock the goal of keeping dangerous products out of dangerous hands. Not only has there been a sharp increase in what is known as “foreign availability” of weapons technology; increasingly, countries are able to produce their own proscribed weapons by piecemealing—manufacturing weapons after buying different parts from different countries.

But while it is no longer possible—or even desirable, given the role of free trade and foreign direct investment in fueling world economic growth—to *stop* technology transfers at national borders, it remains necessary to regulate the way that technology is ultimately *used*. The aim for public policy in this new global environment is to allow the uninhibited flow of dual-use items and technology, but to ensure its civilian use.

Full Disclosure

The key to regulating the application of exported dual-use technology and goods is full disclosure, both by manufacturers and distributors, of the source, quantity, foreign destination, user, and purpose of each item to be exported.

In April 1991 the German government implemented a data collection system called KOBRA (Kontrolle bei der Ausfuhr), which shows how a national monitoring system can work. KOBRA, an on-line system available to all customs offices in Germany, centralizes in a single data base all documents filed by manufacturers with customs offices. It signals whether a stated end-user for a given product is known to be involved in weapons development. It compares an export document against a checklist of known “bad” end users, as well as a list of countries and particular products those countries may be seeking to further their weapons development programs. And it covers a huge array of products: arms and munitions, all chemical products, all related written materials and plans, all steel and metal products, machinery and transport equipment, electro-technical and electronic products, fine mechanics, and the optical in-



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dustry—product categories that, in 1991, amounted to 71.2 percent of all German exports.

KOBRA is by no means perfect—the information it provides is not yet as complete as necessary, and German industrial associations have protested that it is cumbersome and bureaucratic. One improvement, for example, would allow companies to register intended exports directly with customs from company offices, and require customs, in turn, to respond to the registration request within a specified period. But, significantly, KOBRA has elicited no complaints that it would leak proprietary information to competitors.

Other forms of regulation could induce exporters to provide regulators with necessary information. For example, a company could be required to appoint as a “technology transfer officer” a senior manager who would be personally responsible for compliance with all national and international regulations. In cases of proven violations, that officer would be held accountable. The officer would also be responsible for developing a company’s internal control system, including training and informing personnel, starting at the research and development stage, about the potential military use of products. Finally, export licenses would not be granted unless applications were signed by the designated export official.

In response to revelations about illegal dual-use exports to Iraq, Germany has recently revised its export control laws to require that any dual-use item be licensed if, with the company’s knowledge, it will be used in—or in constructing—a plant that produces, modernizes, or services weapons, or in an item that will be used in weapons, mu-

nitions, or any military-related products. The license must indicate the destination, customer, and application of the item. If authorities can demonstrate that a license should have been requested for an exported item, the exporting company will be found guilty of a violation. The data are stored electronically in KOBRA, making it relatively easy to identify a particular country or company that engages in piecemealing.

Companies often argue that they cannot know the exact nature of a particular contract and its intended uses. But that assertion is questionable. For their own economic self-interest, the marketing and sales divisions of companies are usually well informed about the activities of their customers. Long-established customer relationships lead to insider information about the purpose of a particular order. Foreign offices of large corporations are in close contact with their customers. Based on a historical pattern, they can tell whether an order is in any way suspicious. When German companies found to be supplying Iraq with dual-use goods pleaded ignorance of the use of those goods, the head of the German Export Control Office said simply, “They had to know.”

A Mixed Regulatory Regime

Industry self-regulation would have to be enforced by the government, in a way much like the system used in U.S. financial markets. The National Association of Security Dealers (NASD), for example, was created to cooperate with the government to prevent improper transactions in the securities business. Pursuant to federal law, NASD

adopts, administers, and enforces the rules governing the securities industry and is supervised by the Securities and Exchange Commission. NASDAQ, the organization's trading system, handled about 33.5 billion transactions in 1989. Using a sophisticated computer system called SWAT (stock watch automated tracking), it monitors about 150,000 trades and 40,000 price quotes daily. SWAT has stored the historical trading pattern of its 4,200 members, and if indicators such as volume, price, or quote spread cannot be explained by the computer model, it automatically triggers an alert.

In 1991 SWAT sent more than 3,500 on-line alerts. As a result of disciplinary actions initiated and acted on by the association's compliance and arbitration committee, which is composed of industry members, 98 firms were expelled and 17 firms and 465 people suspended from membership.

A similar system could be set up to monitor the application of sensitive dual-use goods and technology. All companies that produce or export such goods would be required to register. An Automated Technology Transfer Registry (ATTR) could track technology transfers and trigger a warning if a transfer did not comply with a series of requirements set by the program.

For example, transfers could be approved for export only if both the exporting and importing companies are registered with the ATTR and only if all required information, including destination, recipient, and end-use, is furnished. Transfers would also have to be checked against a regularly updated proscribed product and destination list and also checked for possible piecemealing by the same supplier or across several suppliers. If the ATTR finds that any of these requirements have not been met, the transfer would be interrupted and could not proceed without being cleared by authorities.

The ATTR could also provide services tailored to the specific needs of suppliers and act as an information exchange. It could update and explain new regulations to companies. It could also alert suppliers to new techniques used by front companies and countries to circumvent regulations.

Many small and medium-sized manufacturing and distributing companies may resist such a scheme because compliance is likely to present high fixed costs. To reduce that burden, however, a company could contract out to the ATTR to implement and execute its internal control effort, which would be subject to a regular export control audit.

In 1991 costs for the NASD and the NASDAQ system amounted to \$186 million, while total income was \$216 million, leaving a net profit of \$26 million. User service fees were the largest source of income (37 percent), closely followed by membership fees (29 percent). The greatest expenses were salaries (52 percent) and office expenses and data processing and communications (9 percent and 8 percent, respectively). Given the ATTR's emphasis on monitoring market activities rather than providing them, income derived from user service fees is likely to be much smaller. But the ATTR could raise additional income from member countries to match its expenses.

What the Banks Know

Other market participants, particularly banks and insurance companies that either have access to valuable product information or can influence the behavior of producers or traders of dual-use items, can also play key roles.

Financial intermediaries that provide credit for the production of weapons and dual-use items or that channel the proceeds from their sales should be asked to support the effort to contain proliferation.

Many countries already have regulations designed to target illegal cash proceeds and wire transfers of funds. In the United States, for example, the Treasury is proposing to require banks to develop a "suspicious international wire transfer profile" and report transactions that fit the profile to the Treasury. The Bank Secrecy Act of 1970 also requires banks to maintain records of transactions that have a "high degree of usefulness in criminal, tax, or regulatory investigations or proceedings." In practice, all transactions of \$10,000 and above have to be reported. More recently the 1986 Money Laundering Control Act makes institutions and individuals alike criminally liable for knowingly participating in money laundering.

If necessary, legislation should be passed that specifically addresses the relationship between proliferation and money laundering. As recent incidents involving the Bank of Credit and Commerce International and the Atlanta Branch of the Banca Nazionale de Lavoro have revealed, money laundering is not confined to the drug trade, but is also widespread in international arms sales. Such legislation, for example, could require banks to inform regulators about transfers from "proscribed" destinations or to companies or other end-users with a history of violating export control laws. As intermediaries, banks are in a unique position to provide information about incoming and outgoing payments for possible illegal activities that may enable authorities to stop illegal transactions.

Financial institutions should also establish a series of internal control mechanisms, in particular in their foreign exchange and trade departments. The reporting requirements of the Bank Secrecy Act have proved highly useful for civil and criminal law enforcement purposes. As one Treasury official commented, "Unlike various forms of compulsory processes, such as grand jury subpoenas or judicial orders, which are used only after the initiation of a criminal investigation, the reports proved a constant stream of data on large domestic and international movements of cash and furnish the basis for either initiating or expanding an investigation." Since most of these payments are made electronically, attaching electronic tags to incoming and outgoing international payments from particular countries or in particular product groups is no longer a problem.

Banks are likely to protest that such regulations would interfere with traditional confidentiality between banks and their customers. But from a public relations perspective, most banks would not want to find themselves in the headlines as participants, knowing or unknowing, in channeling proceeds from illegal arms transfers. Certainly that has been the case with their experience with regulation aimed at illegal money laundering in the drug war. As one veteran Treasury official observed, "At first, virtually all bankers were opposed. . . . Today, either because of the enormity of the drug problem, or because of a greater sensitivity and awareness of the potential for abuse within the financial systems of this country, I have seen a much more active interest and participation in the drug war by bankers."

Financial intermediaries can contribute in other ways to regulatory efforts. In preparing a loan or underwriting a stock or bond issue, for example, a bank gets access to

detailed information about its intended purpose. Regulators could provide banks with guidelines for projects either in particular countries or of a particular nature. Creditors would be required to furnish authorities with specific data that allow them to assess a project's proliferation potential early and, if necessary, either intervene even before production or delivery has started or keep it on a watch list. To ensure that their information is adequate, banks could in turn request a study by the borrower that discusses the proliferation potential of the planned project. If appropriate, banks could even be made liable if proliferation does occur and all precautions have not been taken, a practice now commonly accepted in the area of environmental regulation.

Violators Will Be Punished

Once a proscribed item has left the country of origin, national authorities lack the power to intervene. Nothing can be done at that point to stop the transfer from being made. But regulators *can* step in to punish the offending parties—through financial penalties, revocation of business licenses, export bans, and prison terms. Because the regulatory structure I have described gives companies the opportunity to cooperate with authorities to prevent proliferation, penalties for illegal activity should be harsh and rigorously applied when necessary, both to deter potential violators and to give vital credibility to the entire regulatory scheme.

Competing Goals

The end of the Cold War and the globalization of the world economy have radically altered the policymaking environment of weapons proliferation. Efforts to control dual-use technology exports to satisfy traditional security concerns will have to compete with other public policy goals such as transforming the former centrally planned economies and reducing environmental pollution and poverty in the industrializing economies. Both goals encompass a broader, but equally legitimate, notion of security, and both can be achieved only by a massive transfer of technology, much of which is likely to come under the category of an ever-broadening notion of dual-use.

In addition, global manufacturing networks, the widespread availability of advanced technology, and the increasing number of items classified as dual-use have made traditional policies based on outright denial or strict border controls close to impossible, as reflected in the impending dissolution of COCOM. Continued reliance on a strategy of denial would not only fail to meet the overall public policy goal of nonproliferation, as the recent experience with Iraq suggests. Applied unilaterally, it would imply a serious competitive disadvantage to the domestic industry that could not be sustained politically. Applied multilaterally, it would represent a serious impediment to the deeper integration of the world economy and the fulfillment of competing policy goals such as those just noted.

The policy proposals outlined here address two competing goals: preventing the spread of devastatingly destructive weaponry while maintaining and advancing an open world economy. To some, including those now negotiating a successor to COCOM, the proposals will seem dramatic, even radical. They may be. But no more so than the changes in the world that call them forth. ■

AN INTERNATIONAL REGIME

No matter how effective a national regulatory system is, it cannot work unless an international regime is in place. Not only will manufacturers and distributors resist the imposition of new controls unless they are applied to all suppliers everywhere to create a level playing field, but also unless a country has a complete monopoly over a particular product, customers will simply buy it from manufacturers in other countries.

An international body would also serve as an information exchange and coordinating mechanism between national systems. An international ATTR that could link national systems would, for example, be particularly effective in detecting global piecemealing, a central strategy in Iraq's effort to acquire advanced weapons technology. And, to take disclosure a step further, the international system could make it possible to match the information provided by manufacturers and distributors with information received from the purchasing countries.

Several existing global organizations could serve as building blocks for an international regime built on full disclosure. Both the International Monetary Fund and the World Bank, for example, have shown interest in promoting greater disclosure of their members' military budgets. Both groups have traditionally been reluctant to become involved in the domestic political affairs of their members, and their involvement in a global anti-proliferation regime will probably require a change in their charters. But if powerful members of both bodies, such as the United States, Japan, and the European Union, show an interest in an international regulatory regime, in the long run their influence should be decisive.

The United Nations arms registry agreed on in December 1991 could be seen as a step toward such a regime. Although it will require a much more comprehensive effort to achieve concrete results, from a technological standpoint, this no longer represents a major challenge.

To be successful, however, the regime needs to win the support of the developing world. That will require providing financial and logistical support to member states who lack a modern national control system and who would therefore be unable to enforce the internationally agreed rules at the domestic level. More important, developing countries must be included in the earliest stages of building the regime and given equitable representation that allows them to participate in the decisionmaking process. The recently concluded Chemical Weapons Convention, with its challenge inspections and the structure of the executive council, begins to provide solutions to these familiar political challenges.

CRISES IN BOSNIA AND IN SOMALIA HAVE RAISED ANEW A DEBATE THAT REACHES BACK
to the first days of the American republic: under what conditions will and should the United States use military force?

During the Cold War, the answers to these questions seemed fairly straightforward. The United States must be prepared to use force whenever and wherever an implacable ideological foe challenged its fundamental interests and those it shared with its Free World partners. But Vietnam and its aftermath, the debate over American military intervention and the legitimacy of both

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U.S. Public Opinion on the Use of Force

service and protest, divided the nation and ultimately marked a generation. Throughout the 1970s, the issues—military, political, ethical—involving the use of force were left undiscussed or unresolved. The 1980s, too, yielded few answers as arguments raged over whether to use American force in Nicaragua and Libya and over the impact of military victories and defeats in Lebanon, Grenada, and Panama. In 1991, however, the United States–led coalition’s success in ousting Iraq from Kuwait during the Gulf War went a long way toward moderating public trepidation about American military involvement. The conflicting legacies are weighing heavily on the Clinton administration now as it tries to define the role of U.S. military intervention in the new world order.

The debate goes to the heart of American assumptions about the utility of force and about the factors that must now shape American foreign and defense policy. What, in this post–Cold War era, are the appropriate yardsticks and instruments for American national interest? How narrowly can or should we choose to interpret this concept? Regarding both Bosnia and Somalia, how do we now choose between what some portray as our moral responsibility to intervene to prevent further atrocities and protect the innocent and what others argue should be our principled avoidance of an involvement in an uncertain quagmire?

The Post–Cold War Context

Understanding current attitudes toward the use of force requires a step backward to more theoretical debates about American public opinion toward foreign policy. Immediately after World War II, most analysts agree, Americans tended to be uninformed and uninterested in international issues, their views disproportionately shaped by domestic conditions rather than by adherence to coherent world views. Like most democratic populations, they were slow to anger and generally noninterventionist. But once mobilized by their political leadership, they were prone to rash or “moralistic” action or the “spasm” use of force. They wanted immediate action to “get the job done” and the fastest possible return at the lowest cost of life to the “normal” status of domestic tranquility.

This is clearly no longer the case. Almost every general foreign policy survey in the past five years shows that the American public is increasingly well-informed about global issues, devotes attention to evolving international events, and has opinions on most major foreign and defense policy questions. Americans do take more account of moral issues in evaluating foreign policy choices than some other nationalities. But they are overwhelmingly pragmatic in finally deciding on support for overseas initiatives, including the use of force. Costs and risks count; case-by-case decisions outnumber the invocation of universal principles; short-term actions with a high probability of success are preferred to longer-term involvements with uncertain prospects

for achievement. Americans are, in Bruce Jentleson’s apt phrase, “the pretty prudent public.”

This change reflects less the passing of the Communist threat than a gradual evolution of post-Vietnam thinking about America’s role. Americans remain resistant to a new “Vietnam”—military involvement intended to enforce nation building or to intervene in civil wars. But they are more willing to use force for humanitarian ends or to counter blatantly aggressive behavior.

Current Opinion on the Use of Force

In the abstract, Americans view direct U.S. military involvement only as a last resort, reserved for the most desperate and extreme circumstances. There is an enduring reservoir of support for the traditional American commitment to NATO and to the use of force to defend our allies in Western Europe. But Americans exhibit an overwhelming reluctance, if not a fundamental aversion to the use of force for what are perceived as less immediate or indirect threats to national security. Nonetheless, they are almost always responsive to presidential leadership that explains why blood and treasure must be risked to defend the national interest.

Polls in 1993 by Times Mirror and Gallup showed that Americans favor a case-by-case approach to the use of force. A majority would approve of American military involvement if Iraq invaded Saudi Arabia, but would disapprove of an American defense of South Korea against North Korea (63 percent), of Ukraine against Russia (91 percent), or of Mexico or any third world government against domestic revolt (more than 50 percent). In general terms, however, Americans are willing to send military forces for humanitarian and famine assistance (56 percent) or to demonstrate American commitment to its allies against aggressive dictators (63 percent).

The end of the Cold War allows new room for concerns about the severity of the budget deficit and heightened pressure to divert badly needed resources from defense to domestic programs. Public support for increasing the defense budget fell from a high of 72 percent at the end of 1981, Ronald Reagan’s first year in office, to 39 percent by December 1982, and then continued declining gradually through the mid-1980s. Last September a majority felt defense spending was now “just about right” (52 percent), with only 10 percent wanting an increase. Some 36 percent, indeed, agreed with elites polled that it was now time to cut back.

Most of the American public objects to providing military aid overseas, and support for military assistance even to traditional allies such as Israel and Egypt has suffered since the Cold War ended. Humanitarian assistance clearly outranks all other international initiatives in popular support, as it does in most European countries. Americans consistently support nonmilitary international involvement, even though they continue to express reservations about a blanket intervention policy.

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There is indeed an increasing trend supporting an interventionist, engaged America. As Chicago Council of Foreign Relations surveys reveal, public support for an active U.S. world role reached an all-time high in 1956 (71 percent), fell to an all-time low in 1982 (54 percent), and then began growing again. In the most recent poll (1990) the figure was 62 percent. Similarly, the 1993 Times Mirror General Survey found that 91 percent of those questioned agreed that the United States should take a leadership role in world affairs. About two-thirds believed it to be a role of at least equal importance and power to that of 10 years ago. Only a minority believed the United States should be

its troops only as part of a United Nations operation," while 73 percent felt that the United States should commit "only with other allies."

Disillusionment with the United Nations framework, as indeed with the concept of peacekeeping in general, has grown since the beginning of 1993. While a majority of Americans (64 percent) still believes the United States should cooperate fully with the United Nations, most Americans are reluctant to place U.S. troops under permanent UN command. Americans are more comfortable having U.S. troops under the command of NATO allies or in UN missions for only limited periods.

Changing Threats and Interests

The end of the Cold War changed U.S. public attitudes toward many countries. At the height of the East-West struggle, many countries had a strategic significance for the United States. Now, however, only a few nations are felt to be of special or vital interest; most are regarded as relatively insignificant in terms of U.S. security.

A July 1980 Harris poll found that 84 percent of those surveyed regarded the Soviet Union as "a threat to the security and well-being of the United States." (Some 56 percent so regarded Iran, and 41 percent, Communist China. No other countries were mentioned by more than 17 percent of those polled.) By 1990, 83 percent saw the Soviet Union, instead, as a nation of vital U.S. interest. Times Mirror polls of 1990 and 1993 found that the perception of a Russian threat fell from 32 percent to 8 percent. Japan as an economic competitor, by contrast, was cited as the greatest threat to the United States by 31 percent in 1992, but only by 11 percent (equal to those mentioning China) in 1993. By far the greatest focus of fear was Iraq, still seen by 18 percent in 1993 as a continuing danger.

Chicago Council polls in 1986 and 1990 reflected other changes in how Americans view specific political-military relationships. Only four countries—Saudi Arabia, Japan, Iran, and Poland—were perceived to have become more vital to the United States. All other countries considered in the survey were thought to be less vital to the United States in 1990 than they were in 1986. Most notably, the percentage of Americans viewing the countries of Western Europe as vital continued to fall, although half of those questioned in the 1993 Times Mirror poll still saw Europe as more important to the United States than Asia.

Bosnia and Somalia

U.S. attitudes about military intervention are evolving as events in Somalia and Bosnia unfold. Presidential leadership remains the essential element in molding popular opinion. What public debate awaits is a cogent case for participation or non-involvement based on the national interests at stake and the risks to be run.

The American public is by no means unconditionally opposed to military engagement. Not surprisingly, public confidence was badly shaken last October when Somalis dragged a U.S. soldier's body through the streets of Mogadishu following a fire fight in which 18 Americans on a "humanitarian mission" were killed.

U.S. attitudes about military intervention are evolving as events in Somalia and Bosnia unfold. Presidential leadership remains the essential element in molding popular opinion.

the single leader (10 percent), or the most active nation (27 percent); most believed the role should be shared with other leading nations (51 percent) on a more or less equal basis.

A key factor shaping the American public's attitude toward the use of force is whether the military action is unilateral or multilateral. Throughout most of the Cold War, the American public supported a strong leadership role of the United States to balance the Soviet Union. But Americans now are more likely to support U.S. military involvement as part of a coalition than when the United States is acting independently. The public has often been somewhat more supportive when the United States is acting as part of a United Nations-sanctioned effort. A December 3–4, 1992, Gallup Poll found that 87 percent of those surveyed agreed that the United States "should commit

According to an ABC poll immediately following the fire fight, 52 percent of Americans did not approve of President Clinton's handling of the situation, and two out of three respondents favored withdrawal of U.S. troops. Even at that point, however, half of those who favored withdrawal believed it should be carried out gradually, over six months, and with concern for a final peaceful settlement. Comparable polling results taken days and weeks later—after President Clinton's speech to the nation—demonstrated support for gradual disengagement and continued international monitoring of political outcomes. The avalanche of demands for withdrawal, feared by some in Congress, never materialized; the principal public concern seemed to have been with policy drift and the confusion about the limits of American engagement.

Although Bosnia is more complex, U.S. public opinion has registered consistent support for U.S. participation in a multilateral peacekeeping force there once the warring parties come to a final agreement. Between May and October last year, support ranged from 40 percent to 77 percent, with the average hovering around 54.5 percent. American opinion on direct military involvement to secure a cease-fire or a final agreement has primarily stressed caution and the participation of other allies. Lacking a clear presidential appeal for an expanded U.S. role, support has been fairly divided.

Reaction to the February NATO ultimatum to conduct air strikes in retaliation against the shelling of Sarajevo demonstrates this complexity. While 47 percent of Americans polled by CNN/Gallup believed the United States had a moral obligation to use air strikes against the Serbs and 48 percent favored the decision to do so, 57 percent opposed sending in ground troops in the event that air strikes failed to hasten an acceptable peace settlement. Equally important, 65 percent said that regardless of their present feelings, they would approve of air strikes if President Clinton ordered them. A related PIPA poll asking whether Americans would still support U.S. involvement in a multilateral peacekeeping force if an agreement could be reached found that 72 percent either strongly favored or somewhat favored such action.

Moral and political ambiguity in these conflicts poses difficult challenges to U.S. leadership. Thus far, some in the Clinton administration and many in Congress have been reluctant to face these challenges, fearing that foreign policy ventures will interfere or compete with the ambitious domestic agenda. But success at home and leadership abroad are not mutually exclusive, and building a new post-Cold War consensus may be easier than it is often portrayed. An increasingly well-informed public values preserving U.S. interests overseas, whether they be centered on economic stability or human rights, whether they involve the assumption of international obligations or national sacrifice.

Assessment and Perspective

The sudden dismantling of an international system in place for more than 40 years may have left Americans unsure about what precise role they wish to assume in the post-Cold War world. The desire to curtail de-

fense spending and to limit military involvement overseas clashes with the claim to global leadership. Americans in great numbers do feel a moral compulsion to help countries in need and to defend the weak, but are reluctant to be drawn into unpredictable and open-ended conflicts. They give new recognition to the economic dimensions of security, and they realize the importance of transnational relationships in an increasingly global economy. But they also struggle with how to balance international interests and responsibilities with domestic priorities.

Americans are clear, however, about the general strategy they believe the president and the nation should pursue in international military involvement. The use of military force is to be the exception in U.S. foreign policy. The approach is usually to be multilateral and cooperative, with support and contributions of allies and other countries. The costs and risks involved in any overseas military option should be explained, and there can no longer be blanket approval for military preparation against a range of unlikely threats. Many view the loss of American life, even when counted in the tens and not the hundreds, as intolerable, but most also recognize there are international commitments and national interests beyond simple self defense for which the risk of war is justifiable.

Forty years after the defeat of traditional American isolationism, this should not be surprising. In many respects, it puts the burden of persuasion and leadership in foreign policy where the Founding Fathers wanted it, with a committed president and a questioning, yet patriotic Congress. The public is sensitive both to the lessons of the Vietnam experience and to the "halo effect" of the Gulf War on the American capacity for coalition-building. They are deferential to presidential decisions, yet await a careful assessment of probable outcomes and foreseeable risks. And they are far more attentive to the demands of the new international order and the range of roles the United States can and should play than many pundits and practitioners are willing to credit.

These trends will almost certainly continue and perhaps intensify over the next decade. A reversal of direction in Russia, of course, may strengthen the allure of isolationism and bolster the proponents of both higher defense spending and lessened international involvement. More predictable turbulence will result from the debate about a smaller military at a lower cost and with fewer overseas deployments, especially if the threat of war on the scale assumed in the Cold War or even in Desert Storm continues to recede.

Whatever his domestic imperatives, President Clinton stands at the beginning of a new debate about the use of force in American foreign policy. At stake are not just the skills and the political fortunes of this president, but also the articulation of a national consensus on choices and costs of international military involvement that may last well into the next century. The challenge in many respects parallels that faced by Franklin Roosevelt and Harry Truman. The crucial difference is the state of the public—more informed, more internationalist, and more open to presidential leadership and persuasion. ■

★★★★★★ *The U.S.* ★★★★★★

NUCLEAR ARSENAL

*Its Past,
Its Future*

Janne E. Nolan is a senior fellow in the Brookings Foreign Policy Studies program.

This article is adapted from "Cooperative Security in the United States,"

*a chapter in Global Engagement: Cooperation and Security in the 21st Century,
edited by Janne E. Nolan (Brookings, 1994).*

In June 1992 Presidents George Bush and Boris Yeltsin reached a nuclear arms agreement that was unprecedented in both the scope of its provisions and the potential for further stabilizing actions in the future. Once implemented in 2003, the new agreement will reduce the two nations' strategic inventories to some 7,000 weapons—less than one-third the levels established by the 1991 Strategic Arms Reduction Talks. More important, it will completely eliminate both sides' most destabilizing weapons, land-based missiles with multiple independently targetable warheads.

The agreement, however, is but one step toward formulating U.S. nuclear policy for the post-Cold War world. The Clinton administration has undertaken a comprehensive review of the U.S. nuclear posture, scheduled to be completed early this year. The review is intended to define the continued importance ascribed to nuclear weapons in U.S. strategy and to articulate the criteria guiding the future size, character, safety, and potential use of nuclear forces. This is a welcome move, as the current domestic debate about the role and utility of nuclear weapons is not especially heartening. Never particularly coherent, the rationales for the U.S. nuclear posture seem to have run logically amok. The competing strands of thinking are reflected in proposals as disparate as developing low-yield weapons or arming expeditionary forces with nuclear capabilities for intervention in third world contingencies, retaining a permanently robust nuclear deterrent that must always exceed the collective arsenals of other nuclear powers, encouraging allies to acquire nuclear weapons through a system of "managed proliferation," or proposing that nuclear weapons and warfare be outlawed as a "crime against humanity and the environment."

Whom Shall We Target and Why?

Current U.S. nuclear strategy is to retain a triad of nuclear weapons sufficient to counter the Russian strategic force and to provide a secure retaliatory capability to deter the use of nuclear weapons by "hostile and irresponsible countries." That formulation, by Secretary of Defense Dick Cheney in 1992, has also been adopted by Clinton officials. The reasons for retaining a triad, a product of very conservative estimates of what would be required to cope with a disarming Soviet first strike, are not discussed officially. Current force levels and reductions, which have been driven largely by political events of the recent past, also are not necessarily tied to prior assessments of military requirements or efficiency. The assumption is that a floor exists beneath which U.S. forces cannot be allowed to fall, but this minimum level is not necessarily determined by targeting doctrine or the political goals that the doctrine is meant to uphold.

The question of which countries the United States will target with nuclear weapons in the future and under what circumstances is simply not articulated and certainly not clearly understood. According to some officials, this question does not require an *a priori* answer. The preponderance of U.S. strategic forces remains targeted at the former Soviet nuclear arsenal,

considered an immutable imperative. Despite an agreement reached in January for the two sides to retarget their forces away from one another's territories—a symbolic step—it is emphasized repeatedly by defense officials that weapons could be rapidly retargeted if necessary. The targeting review conducted by the Bush administration in 1991 purportedly generated plans that provided for flexible options for global application, including the ability to retarget weapons quickly to meet any contingency. More recently, plans have been discussed to target third world countries with highly accurate conventional forces as well.

The vanishing Cold War nuclear order was the product of a need to deter aggression against NATO by superior Warsaw Pact conventional forces. NATO members were unwilling or unable to dedicate sufficient resources or to take the necessary steps to restructure their defense sectors to rectify the disparities in conventional capabilities. Nuclear weapons were a cheap way of maintaining a military balance. Outside of NATO, nuclear guarantees were extended very selectively to close U.S. allies who confronted proximate enemies allied with or part of the Soviet bloc. Insofar as these arrangements were considered legitimate, it was as part of a bipolar system in which the United States, Europe, and a few other allies were united in a defensive alliance, while the Soviet Union was seen as an expansionist power bent on global hegemony.

Nuclear Thugs

With the exception of Russia and China, the current nuclear threat, to the extent it can be reliably defined, consists of a handful of states with small or fledgling programs and sometimes just immodest ambitions. This is not to belittle the dangers such states may pose to international or regional stability in the future. But the sudden elevation of third world powers to the status of ruthless enemies on a par with the Soviet Union bears further examination, especially since it is now becoming a principal rationale for retaining a U.S. nuclear deterrent. In a 1993 statement, Les Aspin, now former Secretary of Defense, argued that the only remaining nuclear threat to the United States, except for the loss of control over Soviet nuclear assets, is a handful of nuclear-armed rogue states bent on aggression or terrorism. This unspecified group of nuclear thugs, who are untutored in and therefore undaunted by the refined logic of deterrence, may be able to "equalize" U.S. conventional superiority with just a few crude nuclear devices. Had Saddam Hussein had just a few nuclear weapons capable of reaching Riyadh or Tel Aviv, according to this view, there is serious doubt that the United States would have succeeded in assembling a political coalition for Desert Storm.



Such a premise cannot be proved or disproved. But if it is correct, it would seem to pose immense implications for both the future utility of U.S. nuclear forces and for the way in which the legacy of nuclear weapons is judged. NATO was prepared for more than three decades to risk nuclear confrontation with an equal or, according to some in more recent years, superior nuclear adversary. NATO doctrine included the intent to initiate nuclear conflict if necessary, regardless of the certainty that it could prompt retaliation sufficient to annihilate Western society. Nevertheless, the West today would be paralyzed in the face of a few weapons in the hands of “irrational” and “undeterrable” enemies like Iraq, according to Aspin and others.

Part of the logic of this argument hinges on the notion that the Soviet Union was rational, valued its survival, and could be targeted effectively, whereas the nuclear powers of the future probably will not share these traits. As Aspin argued in a speech in June 1992, “Will our nuclear adversaries always be rational, or at least operate with the same logic as we do? We can’t be sure. Will we always be able to put our adversaries at risk to make deterrence work? Not necessarily, particularly with terrorists whom we may not even be able to find.” But if one is going to make the argument that U.S. strategy falls apart in the face of a third world atomic adversary, one has the intellectual responsibility to explain the reasons. What is the basis for the vast differences in U.S. and Western resolve against enemies who are nuclear dwarfs compared with the Soviet Union? What does this say for the legacy of flexible response? Was the conflict between the United States and the Soviet Union over Europe merely an abstraction, whereas the Iraqi scenario is serious?

The retroactive depiction of the Soviet Union as an essentially benign adversary who could be counted on to play by the rules certainly runs counter to the volumes written by erudite scholars about the Soviet proclivity for war or the lower value Soviet citizens placed on human life. Without even a decent interval, the Soviets have been strangely redeemed and emerging or aspiring third world nuclear powers have inherited the mantle of the evil empire. They are now the warmongers who have a higher tolerance for death and are driven by causes that supersede rational calculation. It hardly needs mention that this caricature of the third world is rather racist; one can also discern that it is often meant to depict the Islamic world. The notion that there are undeterrable states would seem to suggest that the architecture of nuclear-based deterrence has little utility in the modern world. Deterrence has always relied on the demonstrated ability and willingness to use nuclear weapons if necessary, and to communicate this intent to potential adversaries. But officials have proven remarkably squeamish when asked to articulate the way residual U.S. forces will be targeted and used in the new world order. The political hazards of discussing such contingencies are obvious, and no agreed-on procedures exist to even begin discussions about the future role of nuclear forces operating in the third world.

The haste to define new threats has left no oppor-

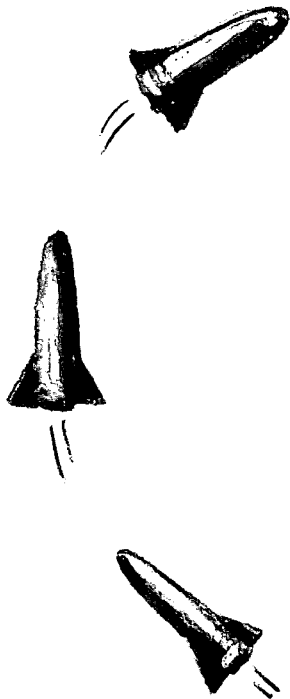
tunity for an adequate evaluation of the legacy of nuclear weapons for American security, let alone time to think about their future. Did nuclear weapons prevent war? What are the lessons to be derived from the history of nuclear deterrence, different operational practices, or the use of nuclear threats? Which among these lessons would we want other states to emulate? Unless the nuclear powers are willing to confront the security benefits or dangers of their own policies, it will not be possible to craft coherent policy for others. What is decided about the nuclear legacy, in short, has important ramifications for future force planning and, most important, for designing credible nonproliferation policies.

The Real Risk: Accidents

The most critical risk to U.S. security is the possible failure of operational control over nuclear weapons. But discussion about ways to make nuclear weapons less usable (such as renouncing practices requiring the prompt launch of nuclear forces, improving command and control, reducing alert status and otherwise restraining the ability to conduct surprise attack) or negative controls (such as permissive action links) has been limited. Indeed, the rationales driving nuclear planning often seem more intent on preserving at least the edifice of the nuclear status quo, in anticipation of the return of a Soviet-type nuclear adversary, than on dealing with this immediate danger.

The traditional objective of deterrence against the Soviet Union required the ability to initiate a large nuclear attack within a few minutes and to complete it within a few hours. The danger of a prior attack on U.S. deterrent forces required in turn that in a crisis it be possible to disperse this capability to many widely separated operational commanders. The commitments to rapid response, dispersed control, and detailed programming for large-scale attack, as such, necessarily made operational readiness rather than safety the pre-eminent goal of U.S. strategy. As long as the threat of sudden attack was considered the primary security problem, the safe management of weapons was accepted as a subordinate, though certainly vital, consideration. Extensive provisions were developed to protect against the accidental or unauthorized explosion of any nuclear weapon as well as against any compromise of physical custody. Still, these provisions were all designed to preserve a large inventory of weapons in an extremely responsive state of deployment. As best as can be determined, despite the inherent tensions between operational readiness and control, the record has been a success. No unintended nuclear detonations occurred, and the only known compromises of physical custody have been the result of operational accidents whose frequency seems to have diminished with accumulating experience.

The current risks, however, are different. The internal pressures on the strategic command system of the former Soviet Union are so extensive and of such uncertain consequence that its ability to maintain standards of safety while preserving a highly reactive operational posture cannot prudently be assumed. Moreover, the possibility that the two strategic forces could



accidentally trigger each other because of their highly reactive postures is an enduring problem that simply cannot be measured on the basis of past experience.

The various initiatives that have been undertaken recently to reduce nuclear weapons deployments and to relax routine alert procedures will alleviate but not eliminate the internal pressures on the strategic command system in the former Soviet Union. And they will have very little material effect on the underlying problem of crisis interaction. The commitment to rapid reaction has not been altered, and traditional crisis alert procedures remain in effect on both sides, as does the pattern of dispersed control. Even the sharply reduced forces and reconfigured weapons deployments that are to result from the June 1992 framework agreement are capable of inflicting enormous damage on any industrial society. In fact, even at these lower force levels, an inadvertent triggering of the strategic attack plans that are being continued as the basis for deterrence would still be the largest man-made catastrophe in history. Given the inherent inability to determine the probability of such an event, there is strong reason to seek higher standards of safety by removing the commitment to rapid reaction and dispersed control.

Reducing the alert status of U.S., Russian, and other states' nuclear weapons would also demonstrate their devaluation as instruments of state power—a critical, if not sufficient foundation for efforts to delegitimize nuclear weapons globally. Although such steps may not be enough to dissuade some regional powers from their own agendas, diminishing the global status of nuclear forces is an important first step toward devaluing, reducing, and, perhaps, eventually eliminating all weapons of mass destruction.

Many officials and establishment experts, however, seem to believe that limits on U.S. nuclear capabilities that go much further than current constraints would weaken the ability of the United States to influence other countries. Rather than promote nuclear restraint, they argue, deeper cuts and operational changes could actually encourage hostile nations to acquire nuclear capabilities to threaten or even use such weapons against U.S. forces in a crisis. The United States might even lose the ability to offset superior conventional capabilities of future adversaries. The ultimately ironic argument is that the United States needs nuclear weapons to retaliate against countries that breach a nonproliferation regime.

Devaluing the Nuclear Currency

Realistically, contradictions in nuclear beliefs and practice are not going to be resolved soon. But it is now acceptable to discuss, within establishment circles, the possibility of further constraints on the development of nuclear weapons. Long considered the domain of fringe disarmament advocates, a move toward a ban on testing nuclear weapons, for example, has finally won support in the Clinton administration.

Perhaps for the first time, practical reality coincides with political objectives. The United States stopped producing special nuclear materials and new nuclear warheads in 1991 and announced an initiative for an international fissile material production cut-off

for weapons use in 1993. The administration's defense program for fiscal 1993–97 is slated to cancel all major modernization programs for nuclear forces except the Trident II submarine-launched ballistic missile. As early as 1992 the Bush administration announced that future nuclear tests would be limited in number and conducted strictly for safety and reliability, a position widely supported in Congress and by the Clinton administration.

An agreement to halt nuclear testing would not be the decisive element of a U.S. commitment to denuclearization, nor sufficient incentive for other nuclear powers to renounce their own ambitions. But if it is no longer necessary to develop new types of nuclear weapons, and it is agreed that preparing to fight nuclear wars is an unnecessary and counterproductive precaution, failing to achieve a Comprehensive Test Ban involving the major nuclear powers imposes costs with no discernible benefit. As George Perkovich has argued, "The central requirement of non-proliferation is to convince other countries that nuclear weapons are not usable and therefore not worth trying to acquire. Continued nuclear testing sends just the opposite message. By ceaselessly refining and testing these weapons, we suggest they *are* usable."

Time to Get Serious

The perception of the value ascribed to nuclear weapons by the established nuclear powers will play an influential role in determining the success or failure of the effort to extend the Nuclear Non-Proliferation Treaty, scheduled for negotiation among the treaty's 162 signatories in 1995. A crisis is brewing between nuclear "haves" and "have nots" over the relative legitimacy of a regime premised on a belief that nuclear weapons can serve as the core of large powers' sovereign security interests but must be denied to others in the interest of peace.

It is fair to say that only a concerted strategy by the United States and the other nuclear powers to deemphasize the role and utility of nuclear weapons as a *global* norm stands a chance of averting this crisis. The renunciation of plans to test nuclear weapons, at a minimum, would help reduce the asymmetries in the international protocol governing nuclear weapons. The established nuclear powers must begin to accommodate the demand among regional powers for greater equity in the regime if they are serious about stopping the spread of all weapons of mass destruction. ■

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*Unless the nuclear powers
are willing to confront
the security benefits
or dangers of their own
policies, it will not be
possible to craft coherent
policy for others.*

★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★ ★

Of Mountains

THE MUNICIPAL

JAMES
V.
DELONG

Everyone knows that the United States confronts a Municipal Solid Waste crisis. We are running out of space in which to discard our mountains of trash and garbage. Unless draconian action is taken to reduce its volume through source reduction, recycling, and incineration, the situation will become uncontrollable.

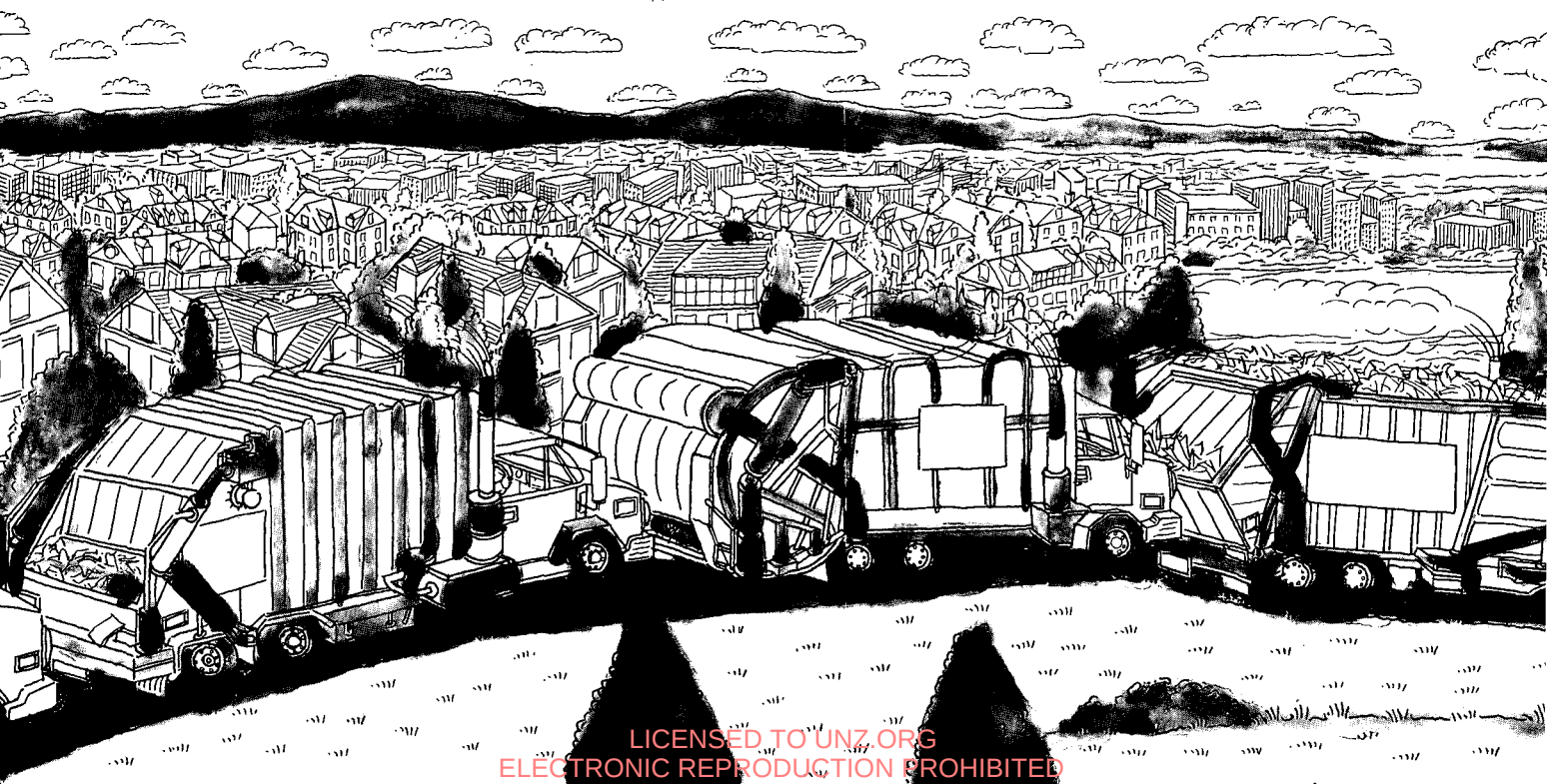
Everyone also knows that there is hope. Corporations are becoming more responsible in their packaging practices. EPA is promoting the burning of waste to produce energy, and municipalities are operating more than 140 incinerators, financed by more than \$10 billion in tax-free bonds. Cities have embraced recycling programs, even shifting funds from education, health, and police to subsidize them. The president has issued an executive order to expand the federal government as a market for recycled paper.

There are just two difficulties with what everybody knows. The first is that the notion of impending catastrophe is silly. Viewed calmly, with even minimal re-

spect for the data, MSW presents a minor national housekeeping problem. Managing it is a task that a competent society should handle routinely. All that is required is modest amounts of money, sensible incentive structures, and reasonable institutional adaptations. Unless its disposal is bungled almost beyond belief, MSW will constitute no threat to the environment or to human health.

The second is that the measures being taken to deal with the "crisis," while sometimes and somewhat useful, are pointless and wasteful when pressed beyond moderate limits. They may even cause net harm to the environment. A couple of real problems (and they are *problems*, not *crises*) exist, such as hazardous substances tossed into the household trash and some special wastes such as used tires, but these issues receive the least attention.

The true MSW crisis is that U.S. social and political institutional mechanisms have become so inept that they cannot deal with even an issue as trivial as this one.



and Molehills

SOLID WASTE "CRISIS"

Where to Put All That Trash?

MSW is the waste generated by households and commercial establishments and picked up by the local public or private trash collector—not industrial waste from manufacturing and not special categories of waste like junked cars. The United States generates massive quantities of MSW: according to the EPA, about 195 million tons in 1990—roughly 1,560 pounds, or 2 cubic yards per person. If it were all compressed to the density prevalent in modern landfills, about 30 pounds per cubic foot, and piled on a single square mile of land, the pile would be almost 470 feet high. But the United States is a big country—the lower 48 states alone encompass almost 3 million square miles of territory, many of them quite desolate. Moreover, because landfills can be covered over with earth and turned into open spaces, we could continue to dispose of trash for thousands of years without making a dent in our stock of land and without debasing the aesthetic quality of our surroundings.

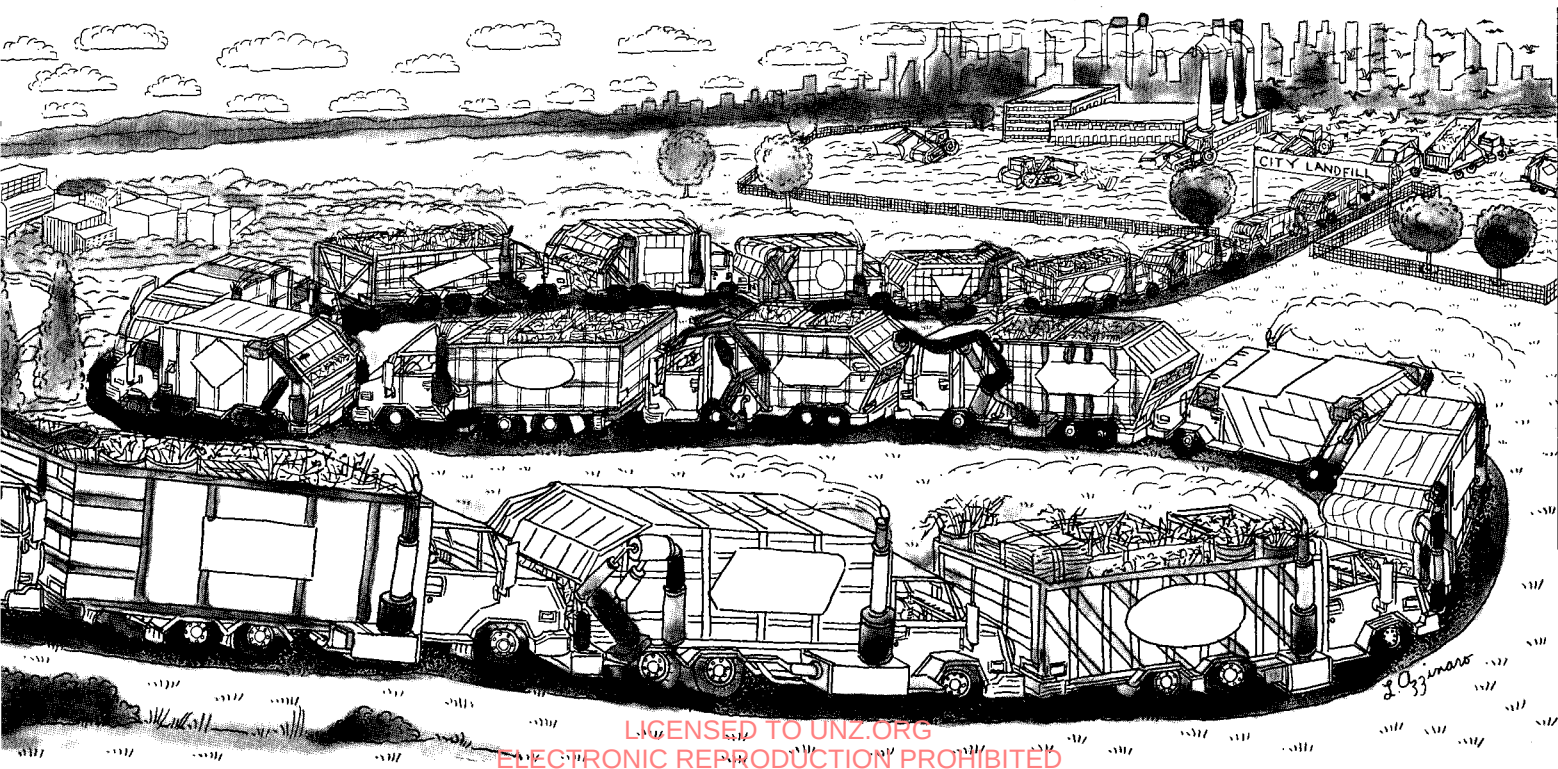
The real "running out of space" crisis is different.

Although the nation's noxious old city dump has gone upscale and is now a sanitary landfill, where each day's accumulation of trash is covered with a layer of dirt to eliminate smells and vermin and liners are installed to protect groundwater, no one wants a landfill near his home. What cities are running out of is space far enough away from homes as to cause no revolt. They are also running out of population groups sufficiently supine to have undesirable facilities—of any sort—forced on them. As a consequence, in the 1980s it became difficult to find sites for new dumps when old ones reached the end of their natural lives.

The so-called space problem is really a question of transportation. There is plenty of land distant from population centers to absorb the trash, but shipment is necessary. This need is not a serious barrier to creating an effective system for land disposal of MSW, but it is a novel requirement, and meeting it requires innovation and institutional adaptation. The logic that regards it as a crisis would equally compel the conclusion that New York City has a food crisis because it cannot

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ILLUSTRATION BY LEW AZZINARO



grow all the vegetables its people need within the city limits, and that it must, therefore, turn Central Park into a giant farm and then ration New Yorkers' consumption of vegetables to what they can grow there.

Transportation raises costs. EPA has raised costs still further, because, concerned about possible contamination of groundwater, it has imposed extensive rules on site preparation and site management for new landfill capacity. Estimates of the financial impact of these rules vary. EPA thinks they raise disposal costs only about \$4 a ton. Few others are as optimistic. The National Solid Waste Management Association estimates that the current costs for a 250-ton-a-day landfill, about the size necessary to handle a population of 100,000 people, are between \$50 and \$100 a ton. The costs drop dramatically as size increases, though, and a 3,000-ton-a-day landfill costs only \$14–30 a ton. The economics will lead to the construction of large landfills designed to take the trash of entire regions, a concept now neologized in the term “wastesheds.”

Land disposal of MSW does not create a health problem. While many MSW sites appear on EPA's problem lists, they seem to be those where hazardous chemicals were dumped along with the municipal waste. The evidence is thin that MSW alone, stripped of industrial and household chemicals, presents a significant threat to groundwater. In any event, the issue is moot because of EPA's recent regulations, and water contamination from legally sited and managed landfills is exceedingly improbable.

During the early 1980s, with local landfills filling up without any promise of close-by replacement, with remote localities rebelling against out-of-state trash, and with no efficient way to transport waste in any event, a municipal official was indeed running out of places to put next year's trash. That certainly looked like a crisis to him, and his workaday perception was confirmed by the barrage of propaganda and the blandishments of roaming bands of environmental consultants. To the extent the crisis persuaded the citizenry to generate less trash, the life of current landfills would be extended, which seemed likely to extend the official's tenure in office. Also, because shipping waste to remote sites is more costly than dumping it nearby, economizing local governments had an incentive to get people to produce less, and nothing but a crisis seems capable of cutting through the cacophony of current public discourse.

Turning Trash into Energy

The reactions to the perceived crisis took several forms. The first was the most straightforward: reduce the volume of trash in need of disposal by burning it. Better yet, turn the trash into an asset by building waste-to-energy facilities that use it as fuel to produce steam or electricity. By 1990 more than 25 million tons of trash a year—almost 15 percent of the national total—were being incinerated. By 1989 New York, New Jersey, and Connecticut were operating 15 waste-to-energy incinerators that had cost \$910 million to build and had a capacity of almost 12,000 tons a day. And they were building 25 more, with a projected capacity of 29,000 tons a day and a projected capital cost of over \$3 billion.

Had the municipal officials consulted historian Martin V. Melosi's 1981 *Garbage in the Cities*, they would have saved themselves some grief. As Melosi recounts, the first municipal trash incinerator was built in Nottingham, England, in 1874, and “cremation,” including an emphasis on waste-to-energy, had a great vogue in the early years of the 20th century. Enthusiasm declined, though, in the face of intractable problems. Building an incinerator was not cheap, and operations are also expensive, especially given the need to sort out all nonflammable items, such as metals, that might damage the mechanism, or dangerous items, such as chemicals, that might produce explosions or toxic pollutants. Building in a capability to generate electricity or steam adds to the costs and may not be competitive with more conventional methods of energy production. Early incinerators also polluted the air. Finally, the ashes left from incineration can amount to 20 percent or more of the original weight of the trash—and they must be disposed of. Erecting an expensive incinerator because the local landfill will be full next year delays the problem for three or four years, but does not solve it. Alas, all these hard-won lessons of the past were relearned during the 1980s.

The cost of incineration is now \$50 a ton and up, not including the costs of collecting, sorting, or disposing of the ashes. And because many waste disposal companies also saw the stories about the landfill shortage and brought new landfill capacity on-stream, the costs of conventional disposal have not reached the anticipated astronomical heights. Last summer the *Wall Street Journal* reported that an incinerator price war has broken out, as cities try to lure in enough trash from other places to keep newly built systems operating at an efficient level.

Incinerator ash has also become a contentious issue. It turns out that the ash sometimes fails one of EPA's many stringent tests for the dread category of “hazardous wastes” because it contains small amounts of metals. If EPA applied its usual approaches, this ash could be disposed of only in special hazardous waste dumps rather than in ordinary landfills—and only after extensive treatment stabilized it to the level at which a person could drink two liters a day of ash-derived leachate for 70 years and still have no more than a one-in-a-million lifetime risk of contracting cancer as a result. The *Journal* estimated that disposing of ash as hazardous waste could add \$3.5 billion to incinerator operating costs.

When EPA tried to finesse the problem by a creative statutory interpretation that incinerator ash is within a special exemption from classification as hazardous waste, the environmentalists sued. Two Courts of Appeal have split on whether EPA has the power to make the exemption. The matter is now before the Supreme Court.

Recycling: the Gold in Garbage

Contemporaneously with the push for incineration, the second wave of response to the perceived MSW crisis rolled in. Recycling. Almost all the components of municipal waste are potentially reusable. Aluminum and steel cans are the most obvious example, but paper

can be made into new paper, yard and food waste can be turned into compost, glass can be melted for new glass. Even plastic can be retrieved for reuse. In theory the MSW stream could be reduced to about 10–15 percent of its present size if everything possible were recycled. In 1989 and 1990 every state except two enacted recycling laws. In 33 states and the District of Columbia, the laws were “comprehensive,” which means they require separation of recyclables, create detailed statewide recycling plans, and otherwise stimulate recycling.

Once again, those who do not know history are happily repeating it. Our Progressive Era forebears were also keen on recycling, and many early 20th-century programs marched under the banner “There’s Gold in Garbage.” The realities were then, and are now, intractable.

First is a conflict between waste-to-energy and recycling. Paper, which makes up almost 40 percent of municipal waste, is the core of most recycling programs. Because it is high in heat value, it must also be the core of any waste-to-energy program. Plastic is less important but is subject to the same calculus. One cannot fuel an incinerator with yard waste and food scraps, which do not burn well and consume rather than create energy. A community can have waste-to-energy or a paper and plastic recycling program, but not both. In theory a valid program could consign paper and plastic to the burner and concentrate on reusing glass and metal, but this does not suit current ideology. A powerful underlying motive of the environmentalist litigation over incinerator ash is the desire to shut down incineration to force cities to make greater efforts at recycling and source reduction.

A second problem is the need to sort the trash. Paper must be separated into newspapers, cardboard, corrugated paper, office paper, and miscellaneous paper. Bottles must be sorted by color, and cans by different metals. Plastic is made of numerous different kinds of resins, which cannot be mixed. And the sorting must be done well. In any recycling process, mixing a small amount of the wrong plastic resin or the

wrong color glass or the wrong type of paper ruins the batch. Most communities that recycle require households to do some sorting, but households will never divide waste into all the categories needed for a complete sort. And collecting trash after an initial household sort and keeping it, especially paper, from being ruined by weather adds to the cost. In any event more sorting must be done by the municipal authority, at a cost that averages \$50 a ton and can go as high as \$100, exclusive of any costs of collection and transportation.

The next problem is markets. Most discussions of recycling assume that it is easier to make useful things out of a discarded product than out of virgin materials, but this is sometimes true and sometimes not. Once segregated, aluminum or steel cans and glass containers are good raw materials. Plastics for recycling must compete with virgin resins made from dirt-cheap petroleum, and are probably seldom worth saving, especially because there are dozens of resins that must be kept separate. (“Probably” is in there because published cost analyses are hard to come by.) Compost made by recycling yard waste is worth less than its cost of production. Paper is complicated, because of its division into more than 40 different categories. Some, such as fine writing paper or corrugated boxes, can be repulped easily, and substantial percentages have always been recycled. Others, such as glossy magazine pages or newsprint, can be recycled, but economics are iffy.

Aluminum cans are worth \$600 or more a ton, but the value of most other recyclables bounces between \$0 (or even negative value) and around \$40 a ton, and this is for clean, separated material delivered to an end user at its point of use, such as a glass factory or paper plant. These values are also hyped by legal requirements that increase recycling. Even with this boost, broad-based recycling is a losing proposition. It costs \$100 to \$200 to collect, sort, and transport the ton of recyclables that brings, at most, \$40. Plastics are worth a little more, but it takes many package wrappers to make a ton, and sorting costs are

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staggering. One industry-sponsored project to retrieve plastic incurred expenses of \$1,500 to retrieve each ton of recyclable plastic, which could then be sold for less than \$100.

Advocates of paper recycling also contend that it saves forests from the axe. This, like the space crisis, is a caricature. Noble trees that arouse esthetic feelings are not reduced to pulp by even the greediest paper baron; they are much more valuable as lumber. About 30 percent of the wood for pulp comes from trash wood, to make room for noble trees to grow. Much of the rest is from tree farms. Paper can be viewed as an agricultural product derived from a crop with a long growing cycle. Recycling paper saves these trees only in the sense that not eating corn would “save” cornstalks. The trees are not destroyed because they are never planted in the first place.

Furthermore, the losses I’ve cited are incurred at prices that prevail when only about 13 percent of MSW is recycled. Gluts cause prices to fall, and when and if recycling requirements become more pervasive, prices will collapse. If markets are not there, cities will be able to keep recycling going only through serious subsidies, over and above what they would pay for simple landfill disposal, at a time when they are pressed on every front.

One might think that various governments would decide it was time to think again. And so they have. But their creativity is not directed at devising ways to get out of The Big Muddy of a half-baked policy; it is directed at making the policy look fully baked. The result is a growing cascade of inefficiency and waste.

One reaction is that if voluntary efforts and market incentives do not produce enough recycling, laws will. Various cities require that newspapers use set percentages of recycled stock. Twenty-nine states and the District of Columbia have established arbitrary goals as to the percentage of MSW that should be recycled at some specified date in the future. The federal government is now required to buy paper containing at least 20 percent recycled material. Congress is considering setting arbitrary mandates about the

percentage of waste that municipalities must recycle. The figure “25 percent” is thrown around, but its rationale is a mystery.

The Best Garbage Is No Garbage

Another reaction is to acknowledge that recycling is an imperfect tool, but, sticking to the “space crisis” rhetoric, to emphasize that the only sure cure for excessive waste is to avoid generating it in the first place. Hence the crusade against excess packaging, a movement whose triumphs include halving the size of compact disk packages and forcing fast food peddlers to substitute degradable paper for long-lasting plastic. But these accomplishments will do nothing more than chip a few cubic yards off of landfills, a benefit that is irrelevant to any real issue of environmental protection.

Other source reduction issues simply present conundrums. Advocates decry the profligate use of packaging materials, but packagers respond that modern packaging practices actually reduce waste by eliminating spoilage and breakage and permitting the sale of quantities targeted to exact needs of individual consumers. The packagers cannot prove this argument, but no one has disproved it either.

Yet another source reduction idea—to levy disposal taxes on manufacturers to compensate for the burden of disposal costs and to discourage excess packaging—sounds good in theory but is a practical nightmare. If disposal costs \$100 a ton, the cost of disposing of a pound of packaging is a nickel, and the fate of the packaging will depend on its materials and the state of the market. (Given current economic realities, manufacturers whose products are recycled would have to pay extra to compensate for the dead weight costs of recycling—not what the proponents have in mind.) Most goods could wind up anywhere in the country and could be recycled, burned, or discarded. Collecting and allocating the fees would be extremely complex. If imposed fairly, the system would turn into a tax on suburban lawns (yard waste) and newspapers, again, not what advocates have in mind.

Panicky industries anxious to avoid disposal taxes or

even outright bans on certain kinds of packaging (New Jersey is considering banning green-pigmented glass on the grounds that there is no recycling market) often outdo the environmentalists in their enthusiasm for recycling, and many industry conferences sound like environmentalist revivals. But that zeal may belie the true state of corporate consciousness. A few years ago the Washington, D.C., subway system set up open-top newspaper recycling bins into which commuters could toss used papers. Some people tossed papers in; others took them out to read. The *Washington Post* was quickly smitten with civic pride, and new recycling bins appeared emblazoned with the *Post* logo. The new bins are deep, with a narrow insertion slot at the top. It would take a fishhook and line to remove a paper, and every reading commuter must now buy, and ultimately discard, an individual copy.

Now Do You Like Recycling?

Yet another way for governments to make recycling and source reduction look better is to raise the costs of putting waste into landfills. A community's willingness to subsidize recycling depends on the costs of the alternatives. Thus, if recycling and source reduction cannot be made more efficient, it is always possible to make land disposal less so.

There are several ways to run up the costs of landfilling. EPA's rules governing the construction and management of landfills are one. It is also possible to play games with landfill size. Under EPA's rules, large facilities—"megafills"—are most efficient. That being the case, it seems elementary that the market should be broadened. Disposal will take place more economically if trash can flow freely across state boundaries so that large-scale facilities can be located convenient to as many trash-generating communities as possible. Thus a good way to raise the cost of landfilling is to inhibit commerce in trash to force construction of small and inefficient landfills.

And that is what states and communities are doing. Although their past efforts to outlaw the import of trash (to preserve landfill space for home use) were struck down by the Supreme Court as unconstitutional burdens on interstate commerce, they have recently tried to forbid the export of trash (to keep local incinerators or landfills going). The Court is expected to strike these laws down as well, but Congress is now proposing to allow states to inhibit the flow of trash or to require each state to provide its own disposal capacity. That move would be sure to clog the flow of trash, force construction of inefficiently sized facilities, and exacerbate NIMBY (not-in-my-backyard) problems, which will then provide justification for more stringent source reduction and recycling rules.

Lost in the Shuffle

The final irony is that the one genuine MSW problem receives inadequate attention. Lost in all the noise is the problem that people discard paint thinner, used oil, pesticides, batteries, fluorescent bulbs, used tires, and other items that can indeed harm both health and the environment. In the current climate these items are low priority, as few municipalities provide household-

ers with reasonable alternatives for disposal. EPA has developed rules on this issue to add to all the other requirements, but it is axiomatic that any program that tries to do everything will end up doing nothing, and the more sorting requirements placed on households the worse the job will be done. A more sensible policy would concentrate on getting the hazardous items out of the waste stream, possibly by charging households that fail to pull them out for special treatment and letting most other sorting go.

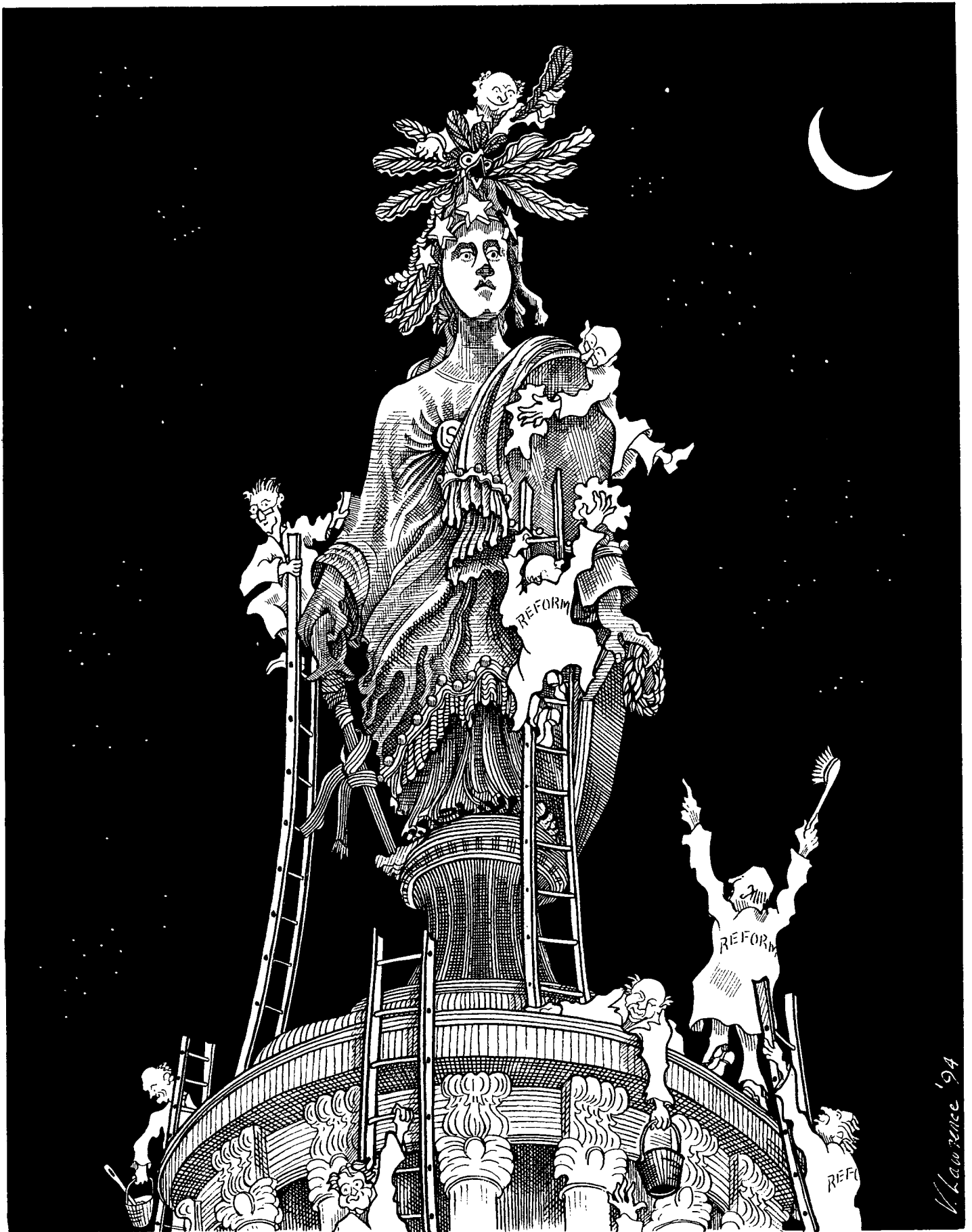
So where does this leave the country? On the whole, the optimum approach to the "crisis" is clear. Trash disposal is a commodity, like coal or asparagus, and should be treated accordingly. EPA should establish reasonable standards to protect the environment from landfills and incinerators and then do absolutely nothing else. Congress should not permit the states to inhibit free movement of trash. Local zoning requirements should prevent landfill owners from shoving costs onto their neighbors, and the federal government can impose necessary conditions on trucks and railroads. Cities may want to charge householders for the trash they generate to encourage them to minimize it, or possibly charge for trash that does not consist of segregated recyclables. They also want to both induce and coerce segregation of hazardous materials. Operating within this framework, waste disposal companies, truckers, railroads, municipal officials, recyclers, waste generators, and others could all perform their respective functions.

The result would be a complex amalgam of regional landfills, short- and long-haul transportation by truck and rail, incineration, recycling, and source reduction. The mix would vary from place to place depending on the specific characteristics of the city and area, and the costs would be higher than they were in the old days. Markets and industrial incentives would remain undistorted, and a few thousand acres of land a year, scattered across the 50 states, would be devoted to disposing of waste. When a landfill was full, it would be sodded, planted, and turned into a park, ski area, desert, or what have you, which is possible as long as the dangerous chemicals have been excluded. Recycling would grow at a steady pace as the various problems that hold down the value of recyclables are solved. In a few years people would wonder what the shouting was about.

Warming Up for the Main Event

If there is to be reform of this issue, it may have to come from the bottom up, from city officials who bear the actual costs and responsibility. They can put pressure on their congressional delegations and state governments to stop acting destructively. Success in this endeavor would put the problem on the road to solution, because it would allow the normal processes of our economy and society to work.

On the other hand, it is at least theoretically possible for reform to come from the top, as the federal government recognizes the realities of the situation and acts accordingly. Surely a reinvented government that stands ready to take over health care, industrial policy, welfare, and other knotty crises can warm up by dealing with a piddling non-crisis like MSW. ■



V. Lawrence '94

shipshape?

A PROGRESS REPORT ON CONGRESSIONAL REFORM

THOMAS E. MANN AND NORMAN J. ORNSTEIN

IT HAS BEEN NEARLY TWO DECADES since the last great wave of reform in Congress. The climate for major change is now the strongest it has been since that time. Outside Congress, the deep and sustained public unhappiness both with the performance of the institution and with its individual and institutional lapses fuels a demand for change—some of it channeled toward radical reform of the operations of the legislature. Inside Congress, unhappiness is just as great, and the sense of most members that they need to get their own house in order is palpable.

The combined inside-outside desire for change led to the creation more than a year ago of a Joint Committee on the Organization of Congress. Now the opportunity for renewal of the institution is nearly at hand.

Late last year the Joint Committee responded to the drive for change by issuing its recommendations for reforming both the House and the Senate. This spring both houses will take up those recommendations. The outcome is hard to predict. Some lawmakers oppose internal reform, either because they think it unnecessary or because they believe the fierce internal battles it will occasion could imperil the important policy agenda for the year. And the many members of Congress who support reform do so for different reasons—some because they think it necessary to help the institution work better, some because they believe they must respond to voter unhappiness. We can't say what Congress will do with the Joint Committee's product. But we can offer our own thoughts about its directions and efficacy.

In a nutshell, the committee's work is a good start—the two sets of recommendations issued by

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House and Senate committee members offer reasonable solutions to some of the problems that have damaged the public reputation of Congress in recent years and to others that have been hamstringing Congress in its internal operations. But it needs to be strengthened. The reports of the House and Senate contingents overlap in many key respects, and when one report falls short, the other usually offers clues on how the overall package can be improved.

Public Disapproval

One set of recommendations deals directly with the lack of public confidence in Congress's ability to regulate and police itself. The House report addresses responsibly the public perception that Congress coddles its own members who have been accused of ethical violations and that it exempts itself from the laws it imposes on the rest of the country. The Senate report has postponed addressing the issues pending reports of two task forces, but it should follow the lead of the House regardless.

The past 15 years have seen an explosion of public scandals involving members of Congress. Explanations abound: higher standards, more detailed rules, greater disclosure, beefed up enforcement resources, the tabloidization of the mainstream press, the criminalization of partisan warfare on Capitol Hill. But the result is supremely ironic. While the ethical tenor of congressional life has actually never been higher, the public believes just the opposite.

In 1989 the House began to attack the problem. It stipulated that members of the Committee on Standards of Official Conduct who investigate an ethics case could not be involved in deciding whether the

charges are proven. Now the Joint Committee proposes to involve private citizens in deciding whether a charge has merit and should be brought before the committee for resolution. It calls for a pool of 20 outsiders to be selected jointly by the Speaker and Minority Leader; the chairman and ranking member of the Standards Committee could then draw on this pool to form investigative panels.

The proposal successfully balances Congress's constitutional responsibility to judge its own members with the need to reduce conflicts of interest and restore legitimacy to the process. Naturally, many lawmakers are apprehensive about having outsiders judge their fate, but given the current climate of opinion, as well as the shift away from ethical self-regulation in professions such as law and medicine, the reform is essential. The House should accept it, and the Senate should follow suit.

The widespread public perception of unethical congressional behavior has also been fed by Congress's longstanding practice of exempting itself from the laws it imposes on the rest of the country. Although Congress had legitimate concerns that allowing the executive branch to enforce such laws on Congress would violate the constitutionally mandated separation of powers, for a long time it allowed its concerns to become a smokescreen for denying its employees the rights and protections enjoyed by everyone else. In recent years Congress has moved to apply major employment and antidiscrimination laws to itself, but no effective enforcement mechanism has existed to make those protections a reality.

The House report of the Joint Committee proposes establishing a joint Office of Compliance that can bring Congress under the rubric of appropriate laws and that is armed with an explicit set of procedures for considering alleged violations. Although some critics reject any solution short of direct application of all relevant laws with enforcement through executive agencies, the House solution is sensible and workable, and it balances the need for enforcement with the separation of powers. The Senate should follow suit.

Reforms of the Committee System

The heart of any reform package is its plan to restructure the committee system, which has existed essentially unchanged for almost half a century. The existing system is simply chaotic. Too many committees vie for floor access and members' time. Committee jurisdictions can be irrational, with some committees having far too vast, other far too narrow, a focus. Many bills are referred to multiple committees, often generating bitter turf fights.

Here the Senate report of the Joint Committee leads the way, perhaps because the Senate, having partially consolidated jurisdictions during the late 1970s, faces a less daunting challenge than does the House. The Senate proposals would limit each senator to two major committees, one minor committee, and five subcommittees. Waivers of these limits, which plagued the Senate after the 1970s reforms, would be prohibited. Committees (presumably minor) that fail to attract enough members under the new limits would be

abolished. The number of subcommittees would also be substantially reduced (in our judgment, perhaps too much), joint committees eliminated, and proxy voting in committee ended. Committee attendance records would be published, and a new scheduling system would eliminate conflicting committee meetings.

Although the House report adopts a similar reform strategy, its version lacks teeth. Limiting each member to six total assignments—two standing committees and four subcommittees—seems reasonable but could actually increase the number of allowable committee assignments (from one to two) for members serving on exclusive committees (Appropriation, Ways and Means, Rules). Under the proposal they could take second assignments on minor committees, thus diluting the effectiveness of the provision abolishing committees that fail to retain at least half their membership. Provisions enforcing the new rules are elaborate but insufficient. Members of both parties put enormous pressure on their leaders to waive rules limiting committee assignments, and there is no reason to believe that the pressure will abate after this round of reform. Mandatory recorded votes should be required in each party caucus before waivers can be sent to the full House, and, to discourage their easy and widespread use, waiver requests should under no circumstances be considered as privileged motions.

The House proposal to abolish unpopular committees directs the Rules Committee only to *consider* a resolution to abolish committees, not to report it to the floor for a vote. Moreover, the timing of implementation is wrong. A resolution abolishing unpopular committees should be guaranteed floor consideration, under fast track procedures, at the beginning of each Congress when members are appointed to committees.

Better yet, the House should directly confront the need to abolish committees and consolidate jurisdictions. It should merge small and narrow standing committees into larger and broader committees wherever possible to give them more range, breadth, and attractiveness to members, enabling them to be more representative and to set substantive priorities better.

The House leadership should offer an amendment to the House report that folds the jurisdiction of several minor committees into other committees that could use the additional work and incentives to attract members. Minor committees not thus eliminated should be drastically reduced in size.

As part of that effort, the leadership should address directly the nettlesome issue of the administrative operations of the House. One way is to turn House Administration, now a standing committee, into a leadership-appointed entity with rotating membership, in the process shifting jurisdiction over elections policy to the Judiciary Committee. House Administration has become considerably more professionalized in the past several years, but a cadre of permanent members in a position to grant or withhold favors from colleagues has every incentive for empire building. The move away from a patronage-based to a fully professional administrative system is imperative.

The report of the Joint Committee is strikingly silent on the question of committee jurisdictions. Obviously,

a massive and controversial remap of committee jurisdictions could jeopardize the entire reform package. But surely it is possible to make some recommendations for reasonable shifts in jurisdictions that would make committees more equal in breadth and workload, consolidate divided jurisdiction in important policy arenas, or highlight and give institutional focus to emerging issues. Family, welfare, and unemployment issues, for example, could be consolidated in a broadened Education and Labor Committee renamed Human Resources. Public Works could be given comprehensive jurisdiction over transportation policy, including railroads and merchant marine. Drugs and narcotics control could be brought more fully within the purview of the Judiciary Committee. It is simply untenable for members to resist all changes in committee jurisdictions. The world is changing, the public is angry, and the potential exists for much more radical and possibly destructive reforms if reasonable ones are not forthcoming.

Budget Process

No aspect of congressional organization and procedure attracts more attention from reformers than the budget process. For more than a decade huge deficits have symbolized government ineffectiveness both for the public and for members of Congress. Numerous attempts have been made to deal with the fiscal imbalance by changing the rules of the game. Indeed, politicians find it almost irresistible to champion procedural changes—the balanced budget amendment and the line-item veto are two prime examples—as an alternative to the unpalatable task of cutting spending and raising taxes.

Procedural changes, especially the “magic bullet” variety constitutional amendments, are no panacea, but procedural reform *can* make a difference. The “pay-as-you-go” provision of the 1990 budget agreement and the “hard freeze” on discretionary spending in the 1993 budget agreement have had serious and demonstrable impact on budget restraint and on the dynamics of the budget process. Any budget reform under consideration, however, must be rigorously examined in terms of its likely consequences, intended and unintended.

The Joint Committee recommendations for improving the budget process primarily reflect the frustration members feel about the toll that budget considerations and routines take on their time and energy. Their proposals would eliminate redundant debates and decisions and focus more institutional energy on oversight and long-term planning. Both the House and Senate reformers embrace a recommendation contained in Vice President Gore’s National Performance Review—shifting the entire budget process, including appropriations, from an annual to a biennial basis. From the administration’s perspective, a two-year cycle will reduce the staff resources devoted to budgeting and improve program management. For most members of the Joint Committee it frees up time spent on repetitive and unproductive routines for more crucial program review and policy development.

Some effort to simplify the process is warranted. For example, shifting the budget resolution to a two-year

cycle, with basic fiscal policy guidelines set only once per Congress, is a good idea. Biennial budget resolutions and reconciliation fit nicely with the discretionary spending caps and pay-as-you-go provisions of the 1990 and 1993 budget agreements. There is also much to be said for moving more fully toward multiyear authorizations, as recommended by the Joint Committee. Indeed, explicitly banning both annual and permanent authorizations would go a long way toward reducing tensions between authorizers and appropriators and enhancing congressional oversight capacity.

But we are not so sanguine about the impact of shifting to biennial appropriations. The annual appro-

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priations process is as old as our republic; it is the standard by which every industrial democracy in the world exercises its power of the purse; and it is the cycle most state legislatures now follow or are moving toward. An annual capacity to adjust spending enables Congress to respond to changing circumstances and ensures effective legislative control of the purse. In reality, most appropriations accounts are not thoroughly reviewed every year; programs that are technically predictable and politically stable receive *de facto* multiyear funding. More can and should be done to give agencies multiyear budgetary frameworks as well as authority to carry over funds from one year to the next. But this is best done in the context of an annual appropriations process.

Reformers believe that biennial appropriations would improve oversight of executive agencies. We

are unconvinced; authorizing committees' interest in and capacity for oversight are largely unaffected by whether appropriations are on an annual or biennial cycle. In fact, appropriators may have less incentive and authority to oversee agencies if their formal role is limited to every other year.

More appealing are recommendations from the House side to make committee earmarks and tax expenditures more public and explicit by listing them in committee reports. The House report also proposes to routinize a process for establishing budgetary control over entitlement spending. The latter builds on the important truth that the most constructive budget process

members and the minority party to debate and amend legislation on the floor with the ability of the majority to work its will.

Each body has its comparative advantage. The House, a majoritarian institution, puts a premium on the timely, orderly consideration and disposition of legislative business. The Senate, which likes to think of itself as the world's greatest deliberative body, favors debate and deliberation over resolution of questions put before it. But in recent years each chamber has moved beyond its comparative advantage to the point at which important values are being sacrificed. For a host of reasons, some good, some bad, the House leadership has used restrictive rules to routinely deny the minority the chance to amend legislation on the floor. The Senate, on the other hand, has fallen prey to the capricious use of holds by individual senators to delay consideration of legislation and the routine use of filibusters to frustrate majority rule.

The Joint Committee recommends restoring the "motion to recommit [legislation to committee] with instructions" as an absolute right of the minority to offer an alternative to all bills considered on the floor of the House. This is an important step toward treating the minority party with fairness and respect, but it is not enough. The majority should allow other avenues for amendments on major points of contention as part of the normal deliberative process in the Committee of the Whole. Although closed or modified rules help manage debate and protect the integrity of complex bills, they should not become, as they have in recent years, the norm for considering all legislation. While there is no good way to write this requirement into the rules of the House, it is imperative that the majority not abuse its authority to set the terms of debate on the floor.

Changes in floor procedure proposed by the Senate contingent on the Joint Committee fall well short of dealing effectively with one of the most serious problems facing Congress. Their specific recommendations, including limiting debate on the motion to proceed, would help streamline routine aspects of Senate procedure while preserving the minority's rights to extend debate and delay votes. They might even discourage the frivolous use of holds by senators since the majority leader would not need unanimous consent to bring up a bill for consideration on the Senate floor. But since a unanimous consent agreement (or 60 votes for cloture) would still be needed to limit debate and structure amendments, the leadership will retain an incentive to accommodate the wishes of individual senators.

Much tougher steps are needed to prevent the abuse of holds and filibusters. The recent emergence of the partisan filibuster, unprecedented in Senate history, has made a bad situation—the routinization and trivialization of the filibuster—even worse. The standard for passage of all legislation not protected by the Budget Act or fast track procedures has been raised from a majority to 60 votes, making a mockery of the idea of majority rule.

To deal with this problem, the Senate should return the filibuster to its classic model—with individual senators required to engage in continuous debate,

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is one that encourages honest proposals by the president for reducing the deficit and a timely and explicit response by Congress to those proposals. The present system of multiyear agreements between the president and Congress enforced by discretionary spending caps and pay-as-you-go rules is working well. The new House proposal would build on that success by forcing both branches to confront unanticipated increases in mandatory spending and to go on record endorsing actions to offset the increases or to change the targets.

Floor Procedures and Scheduling

Although the House and Senate face similar problems in reforming the ethics process, the committee system, and the budget system, the problems of the two institutions sharply diverge in one area: balancing the opportunities for individual mem-

day and night, while all other business gets put on hold. The filibuster has evolved into a standard parliamentary technique in which a mere threat of extended debate raises the threshold for passage of bills or nominations to a supermajority. A shift back to sleepless nights on narrow cots in the hallway of the Capitol may dampen its appeal. The Senate should also look hard at adopting a sliding scale for cloture votes: 60 votes required to cut off debate initially; 55 votes after a week of debate; and a simple majority two weeks after the initial cloture vote. This sliding scale could be applied to all filibusters, or only to the polite, contemporary version that operates on a separate track.

Public Understanding of Congress

The American public has such a negative view of Congress that reform per se will not reverse it. But in addition to reform, Congress can take steps to improve the public's understanding of what it does and is supposed to do—as well as to improve the press corps' understanding of the legislative process.

The Senate contingent on the Joint Committee had nothing to say on this subject. The House side at least recognized the need to address the issue but called for no concrete changes. It recommended only a "sense of the House" that Congress should experiment with alternative forms of floor debate, including Oxford style debates; raise private funds for a congressional education center; encourage civic education programs; and improve orientation programs for journalists covering Congress.

The House and Senate can and should implement these and other proposals to improve the public's understanding of Congress. Fortunately, a bipartisan House leadership group has agreed to begin Oxford Union style debates every three weeks. Senate leaders should now follow through with the commitment *they* made last year to Oxford Union style debates. The joint Senate leadership can begin that process now, without a formal rules change.

Oxford Union style debates themselves will be very useful, educating members and the public on the important and vexing issues facing the country. But Congress should not stop here. It should also prepare video and audio cassettes of the debates and work with educational associations to distribute them, with supporting materials, to high schools and civic groups around the country.

Congress also needs to rethink the process by which it discusses bills, transforming general debate, which is now limited, perfunctory, and largely desultory, into meaningful debate on the larger issues raised by the bills.

Most of the remaining debate, on the rules and amendments, tends to be narrow and arcane. For those who follow Congress by watching floor proceedings on C-SPAN, it can be virtually unintelligible—men and women talking one after the other about nothing that seems tangible or real, followed by 15- to 20-minute interludes for votes, during which classical music is played while the picture

shows a crowd of people milling around aimlessly. In the Senate the interludes, often for quorum calls, stretch on sometimes for an hour or more. Even for the legislative specialist, congressional floor debate can be indecipherable.

Congress needs to find ways to make the C-SPAN coverage more viewer-friendly. For a start, the House and Senate should permit C-SPAN to set up permanent camera positions off the chamber floors, so that commentary and interviews can be conducted during votes, quorum calls, and other breaks in action. Party, committee, and floor leaders could then explain what issues, parliamentary maneuvers, and policy options were under consideration, educating the public and turning dead time into a learning experience.

Every year more than a million people visit the Capitol. They learn about the architecture and history of the building. Often they make brief visits to the galleries to watch floor debate. But they leave having learned little if anything about what really goes on inside that beautiful building. The House and Senate should find funding, public and private, for a congressional visitors' center. In the interim they should create a 30-minute film about Congress to show to visitors in the Capitol. They should also create a second tour of the Capitol—one that gives information not on the building but on the history of Congress and the legislative process.

Reform? or Revolution?

The recommendations of the Joint Committee should begin a period of concentrated reform activity on the floors of the House and Senate this spring. Besides the Joint Committee's recommendations for internal reform, Congress will grapple with campaign finance reform, lobbying reform, and some key elements of the National Performance Review.

It is critical for congressional leaders and rank-and-file members, senior and junior, to recognize the driving need to enact and implement meaningful reform. The most important reason is that the institution needs it. But it should also be clear to all members that the consequences of failure extend far beyond allowing existing institutional problems to fester. Failure to grapple with reform in a serious way now will give much-needed fodder to the most virulent of Congress's critics, from Ralph Nader to Ross Perot, and will spur the movement for more radical change that could transform Congress into something unrecognizable to those who support the Framers' vision of the legislative branch.

Failure to act now, or a belief that cosmetic change will suffice, will not cause the irksome and vexing issue of the need for reform to fade away. Rather, it will return, with a vengeance, in the next Congress—when a House consisting of up to two-thirds of its members new in the 1990s will have a different attitude toward change, one likely to be far less receptive to a deliberative, constructive, and reasonable strategy and far more open to a slash-and-burn approach. If that happens, all members, Democrat and Republican, will suffer, along with the institution and its intended role in the American political system. ■

The Political Lessons of Somalia

BY T E R R E N C E L Y O N S



It is not merely misfortune that just as the United States is preparing to withdraw its forces from Somalia it is having to increase the preparedness to act in Bosnia. Both crises spring from the same tragic development of the post-Cold War international system—the collapse of the state.

Artificial states without strong social base or popular legitimacy are collapsing as superpower patronage is withdrawn and popular demands on the state rise. The results—in Somalia and Bosnia, as in Angola, Nagorno-Karabakh, Haiti, and a number of other states—are humanitarian emergencies that threaten to spill over into neighboring countries and that clearly endanger international interests. As yet the United States and the broader international community have developed neither the principles nor the mechanisms with which to respond.

Clearly the best policy is to anticipate and prevent state collapse. In Somalia there were many lost opportunities where determined international diplomatic and economic actions might have prevented the civil violence, chaos, and famine that occasioned the military intervention. If the world community ignores problems until they become crises, however, pressures to intervene with force are likely to build again.

Some have suggested that the United States intervened in Somalia because it was easy terrain in which to develop the capacity, and demonstrate the willingness, of the world community to act. The failure, therefore, is especially sobering. As policymakers think through options for Bosnia, they must consider what the Somali intervention tells us about the nature of the challenge and possible models of action.

In Somalia the United States acted without recognizing the complexities of the crisis. Al-

though Somalia came to the public's attention when the news media aired shocking pictures of starvation, and although President George Bush justified his decision to send troops as a humanitarian mission, the core problem in Somalia was political—the collapse of the state and the ensuing armed anarchy. Vulnerable Somalis were starving not because of a lack of food, but because of the absence of political and social structures capable of securely managing its distribution. The Bush administration seemed to believe that 28,000 troops could be sent to Somalia without significantly affecting Somali politics. By denying the political nature of the intervention, Washington ensured that its policy could not match the challenge.

In a cynical effort to limit its own mandate and responsibilities, Washington left to the United Nations the contentious problems of political reconciliation, demilitarization, and economic rehabilitation. Those problems, however, were beyond the capacity of an organization designed to operate effectively only when the major powers provide it with the leadership and resources to do so.

Crises such as those in Somalia and Bosnia challenge the international community—the United States in particular—to learn how to promote political reconciliation and to rebuild workable structures of authority. Indeed, the success of operations such as Somalia should be judged not by the number of people fed but by the political situation left behind.

What is the most appropriate way to rebuild political authority? The most critical issue is how to treat the militia leaders who have moved into the political vacuum. The traditional UN peacekeeping approach is to accommodate them, operating in areas and in a manner

only with their consent. The goal is to mediate an agreement acceptable to most local armed forces and allow them to assume political authority.

An alternative approach, based on quite different assumptions, is to see the militia leaders as the source of instability rather than the basis of a new political order. The aim of intervention would be to provide a security umbrella to permit the “silent majority” threatened and mistreated by the militia leaders to build institutions and political authority capable of managing a new order. Militia chiefs willing to participate and act like political rather than military leaders would be encouraged. Those who attempt to disrupt the process would have to be isolated—a task for which the international community would need adequate force, rules of engagement, and political will.

In Somalia the United States and the United Nations tried both strategies without recognizing their inherent contradictions. On the one hand, U.S. and UN officials treated militia leaders like General Mohamed Farah Aideed as legitimate political figures, thereby constraining Somalis who could have formed alternative leadership. On the other, they undercut the militia leaders by working with nonmilitia leaders such as traditional elders, professionals, indigenous nongovernmental organizations, and women to establish village-level administrations. The result was that neither potential set of leaders was convinced that the international operation served their interests.

We should not make the same mistake again. Sending large numbers of outside forces into a state that has collapsed requires a strategic conception that recognizes that success means political reconstruction. The task is difficult, but it cannot be ignored. ■

Terrence Lyons is a senior research analyst in the Brookings Foreign Policy Studies program.

The Balanced Budget Blunder

BY HENRY J. AARON



A bullet dodged. On March 1 the Senate narrowly rejected an amendment to the Constitution to mandate a balanced budget. Although 63 senators voted in support, 4 more votes were needed to approve an amendment that, if ratified, would have been a historic blunder.

We now know, from congressional action in 1990 and 1993, that Congress can cut the deficit. All we need is a president and a Congress willing to work with each other and to compromise. The job is not finished yet, and some nasty choices remain. But why attack the budget deficit with a constitutional amendment when other weapons are at hand—and when the amendment would have promised endless and subtle mischief?

To begin with, the balanced budget amendment would have transformed political power within Congress in ways no one can fully anticipate. It would have substantially increased the power of a determined minority of members. Tax increases would have required support of a majority of the *total* membership of each house—in other words, a supermajority of *those present*. Should recession throw the budget into deficit, the version of the balanced budget amendment the Senate considered would have required a three-fifths majority vote to waive the requirement for budget balance. Up to three-fifths of both houses could thus have been held hostage by a determined minority in *either* house, who could have forced the majority to support any particular tax or spending change (increase or decrease) as a condition for supporting that waiver. Placing such power in the hands of a minority is surely bad policy.

Many have decried the capacity of 40 senators to stop the business of the Senate through refusal to stop a filibuster. The balanced budget amendment would not only have extended

the range and application of minority obstructionism in the Senate, but would effectively have brought its mixed blessings to the House.

Other shortcomings of the amendment, in combination, promised more damage to the political and economic life of the United States than would result from the admittedly deplorable effects of continued federal budget deficits.

For example, the amendment would not have, as promised, reined in the proclivities of elected officials to promote their favorite public objectives. It would simply have penalized two ways of doing so—direct expenditures and taxation—while leaving untouched others, such as loans, loan guarantees, regulations, mandates of private or state spending, or tax incentives. Sometimes regulations, mandates, loans, or loan guarantees are the best instruments to achieve public purposes. Sometimes they are not. The balanced budget amendment would have driven lawmakers to use other strategies even when direct expenditures or taxation make more sense.

Why should legislators trouble to marshal three-fifths of both houses to raise spending when a simple majority of those present and voting would suffice for the other strategies? In addition, the amendment did not define what a loan or a loan guarantee or a regulation is or what accounting rules should govern them—thus assuring endless debate about what is an expenditure or a tax. And who, finally, would decide? The courts? And what would happen if spending exceeded revenues and Congress refused or was unable to act? Would the courts become de facto taxation and expenditure arbiters?

Perhaps a recent turn in the health care debate was a warning to wavering senators. Congressional leaders and President Clinton have been engaged in un-

seemly efforts to influence how the Congressional Budget Office classified the mandatory payments for health care required of employers by the president's health care reform plan. The question is indeed of some significance. But it pales beside the central issues of health care reform, which have now been shouldered aside by worries about whether some government accountant records employer payments for health care in the nation's public or private accounts. Right now such questions are confined to the health care debate. But with the balanced budget amendment, they would have become the centerpiece of every debate.

It takes little imagination to understand that the balanced budget amendment would have contaminated virtually every congressional discussion with the sort of debate that has infected the health care debate. The Senate wisely refrained from endorsing procedural changes that would have caused it to spend its time in self-debasing triviality.

Finally, few policies are better calculated to turn economic shocks into major calamities than a balanced budget requirement. One need not be a primitive Keynesian to believe that a requirement forcing tax increases or spending cuts to balance the budget in the middle of a recession could be catastrophic. Yet the need for a three-fifths majority in both houses would have heightened the possibility that such a scenario would result because of incapacity to mobilize that supermajority.

Responsible members of Congress, conservatives and liberals alike, who share a recognition that deficits need to be reduced should now turn to the real work of cutting spending or raising taxes to complete the job begun in 1990 and carried on in 1993. ■

Henry J. Aaron is director of the Brookings Economic Studies program. He is the editor, with Thomas E. Mann and Timothy Taylor, of *Values and Public Policy* (Brookings 1994).

Good News on the Budget Deficit?

BY ALLEN SCHICK



It has been so long since the federal budget provided good news that one must marvel at Bill Clinton's feat in shaving more than \$100 billion from the projected deficit during his first year in office. Clinton's fiscal 1995 budget projects a deficit of \$165 billion, down from the \$284 billion baseline issued by the Congressional Budget Office last year.

Clinton is taking full credit for this accomplishment; he wouldn't be calling the White House home if he had an acute sense of modesty. Still, there are those who wonder whether a deficit in the vicinity of 3 percent of gross domestic product is much to brag about and others who worry that the deficit is likely to rise near the end of the century and reach unprecedented heights about 20 years from now.

Straight thinking about the deficit requires that the short-term success be distinguished from the medium-term problem and the long-term crisis. Strangely enough, there is more uncertainty about the next 5 years than about the next 25. But chances are good that today's favorable outlook will be overrun by future bad news.

Today's success is a result of a cooperative economy, good luck, and legislative action. About 15 percent of the draw-down in the 1995 deficit is due to stronger-than-expected performance by the economy; almost 30 percent, to recovery of the banking sector and lower inflation in health care. Most of the rest is attributable to the huge deficit reduction package—both tax increases and spending cuts—pushed through Congress last year.

But after 1995 the budget outlook doesn't get much better. And three years from now, the White House expects, the deficit will resume its upward climb.

The budget is hostage to two powerful forces that can undo all that the deficit reduction package is expected to accomplish over the next five years. One is the performance of the economy; the other is the trend in health care costs. Expectation now is that the economy will expand a little less than 3 percent in each of the next five years, while prices will be stable and unemployment will slowly abate. That is a realistic scenario, but not a guaranteed one. The economy is unlikely to do much better than that, if only because the work force is growing barely 1 percent a year. It would take a tremendous surge in productivity to push the economy to higher performance. Although today's economic signals are favorable and there is no recession on the horizon, sooner or later the cycle will turn. When it does, the deficit will rise, regardless of what the president and Congress do. One percent lower growth in each of the next five years would put the deficit right back where it was just a few years ago.

The picture is cloudier when it comes to health care. Price increases moderated in 1993 but utilization rates and, therefore, total health spending continued to rise. Medicare and Medicaid alone are projected to account for almost half the increase in federal spending over the next five years; they are the reason why the deficit is expected to rise near the turn of the century. (These projections do not factor in the estimated effects of health care reform. Clinton's budget projects that reform will reduce the deficit; the CBO, that it will increase it.)

The health reform that emerges from Congress this year will be less ambitious and less costly than the one proposed by Clinton. But it also

might have weaker cost controls, which means that the budget will continue to be at risk.

The further ahead one peers, the more dismal things look. CBO has projected a \$365 billion deficit 10 years from now, even assuming that growth is sustained. As in the medium-term, health costs are the culprit: they are expected to consume almost half of the trillion dollar rise in federal spending during the next decade.

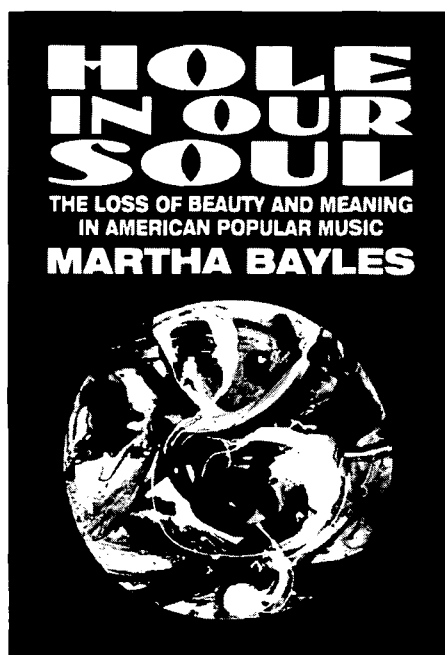
There is much uncertainty in this long-term forecast, but the pressure on future budgets cannot be doubted. Extend the forecast another 10 years, and, as the budget is hit by the first wave of baby boomer retirements, the deficit will near and then exceed \$1 trillion a year.

Congress and the president will not be able to sit that one out. Between now and the first decade of the century, they will have to confront the deficit problem. They won't do it this year, for Clinton does not want to complicate the passage of health reform by burdening Congress with other difficult legislative chores. Nor are they likely to do it during the remaining years of Clinton's first term. The next big swipe at the deficit will come during Clinton's second term. And that battle will be tougher than the one he fought and won in 1993. He will not get enough new revenue by loading just about all the tax increase on upper-income earners, and he will face a vast army of retirees and near-retirees with large claims to federal dollars.

If Clinton prevails, the long-term crisis will be downgraded to a problem; if he doesn't, nothing we have seen thus far will prepare us for the oversize deficits that will dominate budgeting in the 21st century. ■

*Allen Schick is a visiting fellow in the Brookings Governmental Studies program. He is the author of *The Federal Budget: Politics, Policy, Process* (Brookings, 1994).*

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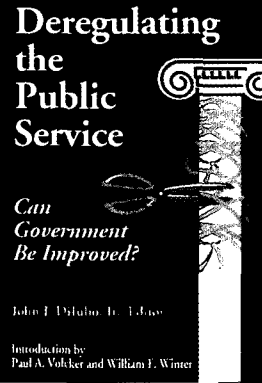
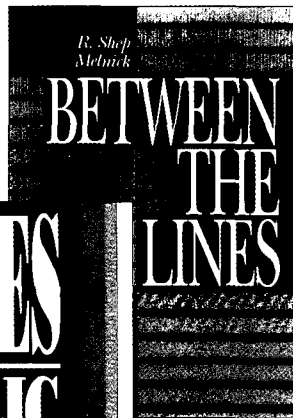
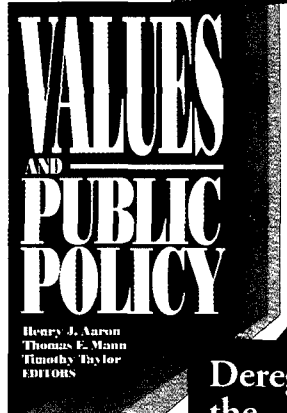
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